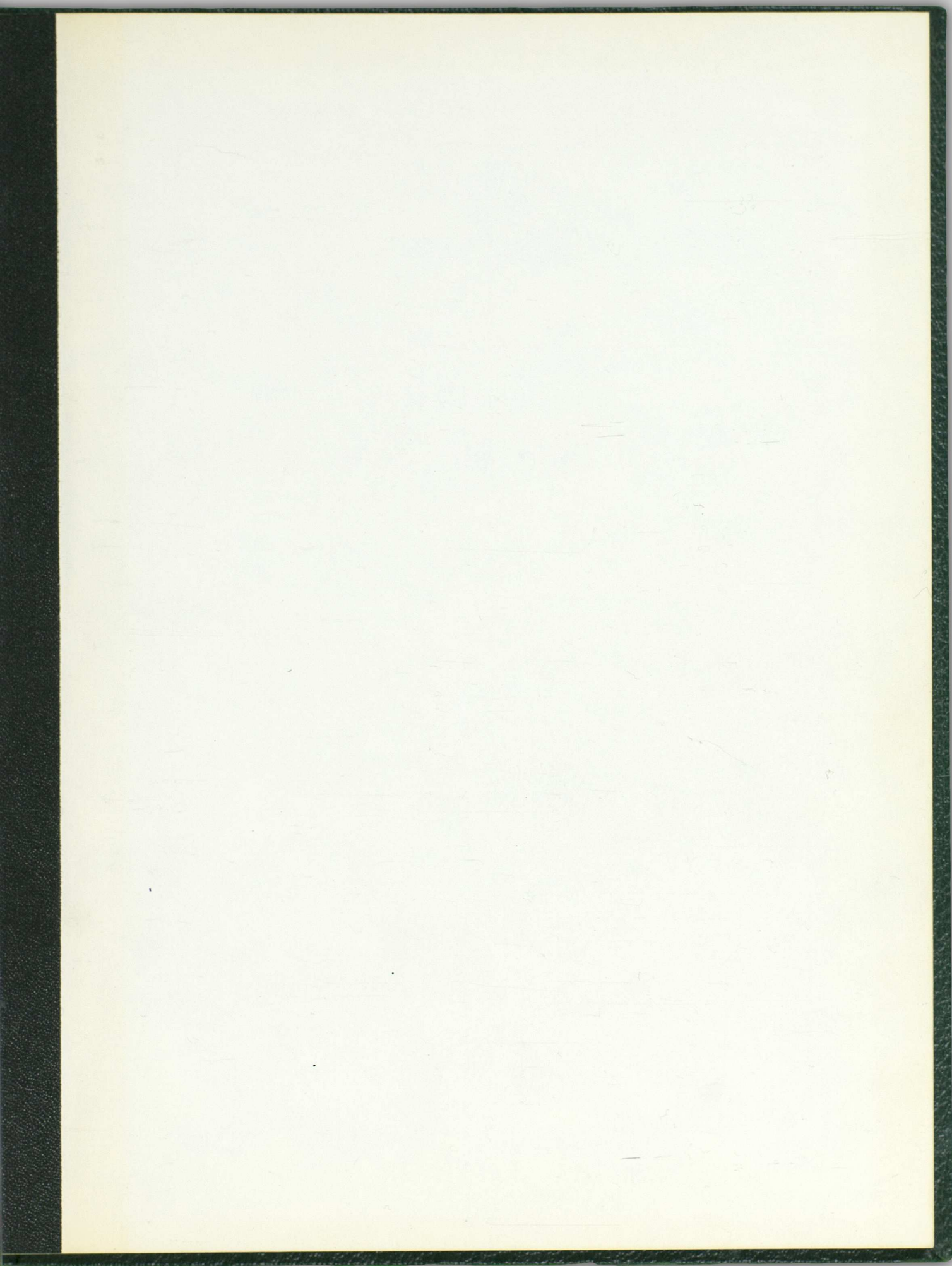
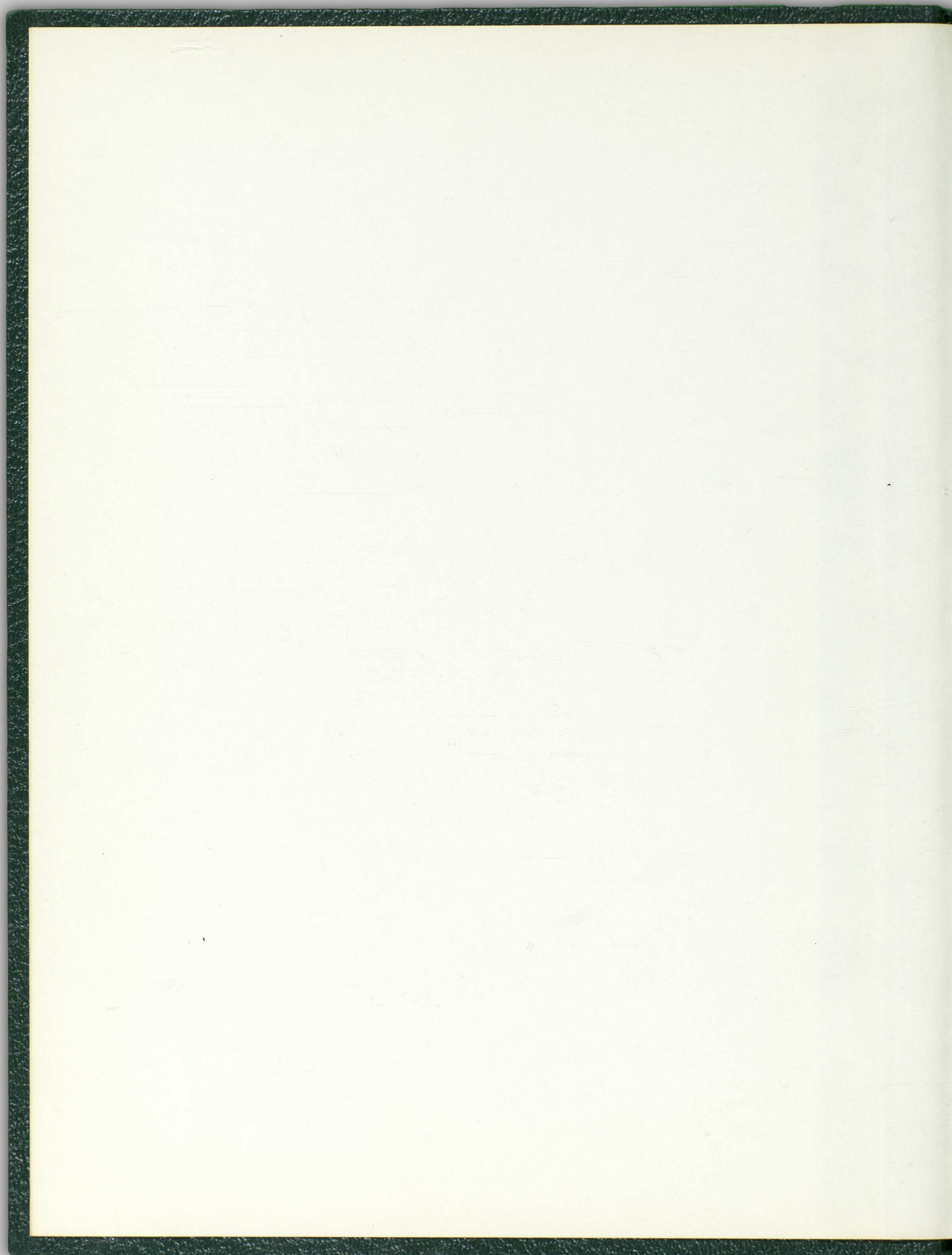


ANNUAL REPORTS
CASSIAR ASBESTOS
CORPORATION LIMITED

For the Years Ended September 30, 1959
To September 30, 1952







Eighth Annual Report

**CASSIAR ASBESTOS CORPORATION
LIMITED**



As at September 30, 1959



Eighth Annual Report
of

**Cassiar Asbestos
Corporation Limited**

OFFICERS

F. M. CONNELL, O.B.E. - - - - - President
W. HAROLD CONNELL - - - - - Vice-President
C. R. ELLIOTT, C.A. - - - - - Secretary-Treasurer

DIRECTORS

F. M. CONNELL, O.B.E. - - - - - Toronto, Ontario
W. HAROLD CONNELL - - - - - Spencerville, Ontario
K. A. CREERY - - - - - Montreal, Quebec
JOHN DRYBROUGH - - - - - Winnipeg, Manitoba
C. R. ELLIOTT, C.A. - - - - - Toronto, Ontario
J. E. KENNEDY - - - - - Toronto, Ontario
G. W. SMITH - - - - - Thetford Mines, Quebec
S. R. ZIMMERMAN, JR. - - - - - Manheim, Pennsylvania
P. MALOZEMOFF - - - - - New York, N.Y.
E. S. W. HUNT - - - - - New York, N.Y.
J. M. CONNELL - - - - - Toronto, Ontario

GENERAL MANAGER

J. D. CHRISTIAN, C.B.E., B.A.Sc. - - - - - Toronto, Ontario

GENERAL SUPERINTENDENT

N. F. MURRAY, B.A.Sc. - - - - - Cassiar, British Columbia

CONSULTING ENGINEER

T. T. TIGERT, B.A.Sc. - - - - - Toronto, Ontario

MANAGER — TRANSPORT DIVISION

N. GRITZUK, B.Sc. - - - - - Whitehorse, Yukon Territory

TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY - - - - - Toronto, Ontario

BANKERS

THE ROYAL BANK OF CANADA

AUDITORS

CLARKSON, GORDON & CO. - - - - - Toronto, Ontario

SOLICITOR

C. S. M. MORTIMER - - - - - Toronto, Ontario

ADMINISTRATIVE OFFICE

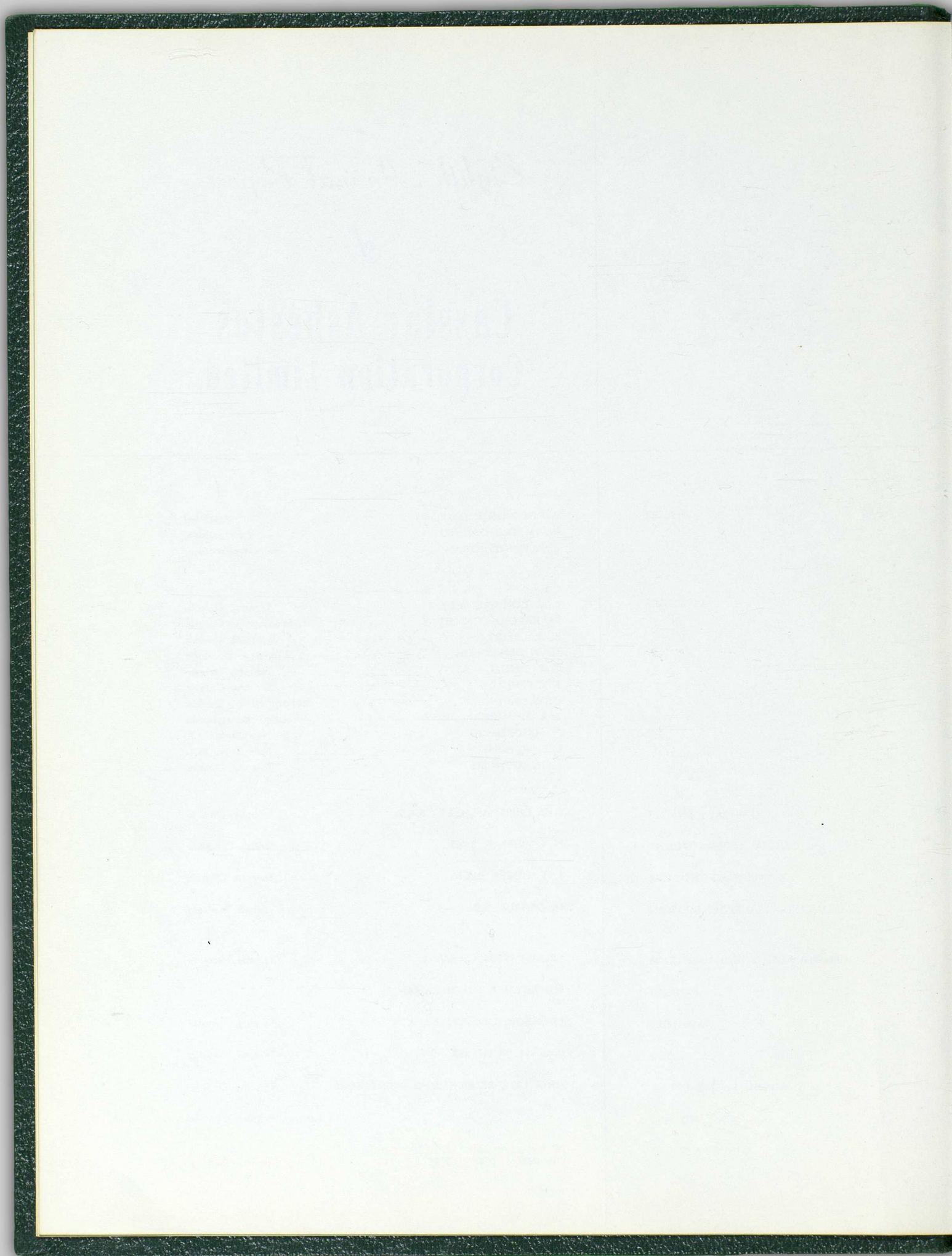
SUITE 1001, 85 RICHMOND STREET WEST - - - - - Toronto, Ontario

MINE AND MILL

- - - - - Cassiar, British Columbia

ANNUAL MEETING

10 A.M., JANUARY 15, 1960
THE ROYAL YORK HOTEL - - - - - Toronto, Ontario



Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
Cassiar Asbestos Corporation Limited.

Your directors submit herewith the eighth annual report on the operations of your company, including the financial statements prepared as at September 30, 1959, your auditors' report thereon and a report by Mr. J. D. Christian, General Manager.

The net profit for the year ended September 30, 1959 was \$3,043,579 after charging depreciation of \$923,508, deferred exploration and development in the amount of \$34,402 and outside exploration of \$147,012. Dividends amounting to 50¢ per share were declared.

You will note that the current assets amounted to \$6,082,120 and current liabilities amounted to \$1,150,544 or net working assets of \$4,931,576 as compared with net working assets at September 30, 1958 of \$3,897,107. The expenditures on plant and equipment of \$608,230 and on stripping deferred \$779,358 are referred to in the General Manager's report.

You will note from the General Manager's report that work in the lower adit during the year has indicated a very substantial increase in the ore reserves.

Sales during the latter half of the year improved and total sales for the year compared favourably with the previous year with the outlook for future sales good. To provide more flexibility to the operation and to enable the company to take advantage of any improvement in sales, equipment is being installed to increase the Mill capacity. Any increase in the rate of production will be dependent upon and consistent with increased sales.

As previously reported, 5,000,000 tons of high grade asbestos ore has been developed at the Clinton Creek property and this option will be exercised in full. The Letain asbestos property is held by Kutcho Creek Mines Limited which has issued 750,000 shares of its capital

stock of which Cassiar owns 723,000 shares and holds an option to purchase the remaining 27,000 shares for a total consideration of \$47,000. An action commenced in the B.C. Courts by Felix Letain to recover title to the property was dismissed. An appeal of the decision of the Court is pending. In the opinion of Counsel the appeal will also fail. Limited work to date on the property has indicated the occurrence of good quality chrysotile fibre but further work will be required to determine its extent. Work was carried out during the year on the Caley property as reported by the General Manager and the option on this property has been abandoned.

During the year, the company's transport division continued trucking the company's products from Cassiar to Whitehorse and back-hauling supplies and oil required by the company. The efficiency of this operation has been well maintained. During the year the British Columbia Government introduced regulations affecting load limitations which has resulted in increased cost of trucking over the B.C. portion of the Highway.

The Board expresses its appreciation of the loyal and efficient services rendered the company by Mr. J. D. Christian, General Manager, Mr. N. F. Murray, General Superintendent, and Mr. N. Gritzuk, Manager of the Transport Division and their staffs.

On behalf of the Board,

F. M. CONNELL,
President.

Toronto, Ontario,
December 18, 1959.

MONTREAL TORONTO HAMILTON
LONDON WINDSOR WINNIPEG
REGINA CALGARY EDMONTON
VANCOUVER

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

Clarkson, Gordon & Co.
Chartered Accountants

15 WELLINGTON STREET WEST

Toronto 1
CANADA

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the balance sheet of Cassiar Asbestos Corporation Limited as at September 30, 1959 and the statements of operations and earned surplus for the year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In accordance with Section 118 of the Companies Act (Canada), we report that the company's subsidiary company referred to in note 1 to the financial statements, had no profit or loss as it is in the preproduction and development stage.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the company, the accompanying balance sheet and statements of operations and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at September 30, 1959 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Canada,
December 17, 1959.

Chartered Accountants.

CASSIAR ASBESTOS CO

(Incorporated under

Balance Sheet—S

ASSETS

Current:

Cash	\$ 626,278	
Government of Canada securities — at cost (market value \$1,383,650)	1,364,418	
Accounts receivable	898,508	
Taxes recoverable	58,870	
Asbestos fibre — at cost	1,235,191	\$ 4,183,265
Ore stockpiled at mill — at cost	\$ 786,310	
Inventory of supplies valued at laid down cost	971,574	1,757,884
Prepaid expenses and deferred charges		140,971
		<u>\$ 6,082,120</u>

Investment in Territorial Supply Company Limited:

Shares (one-half the issued capital) at cost	\$ 25,000	
Notes receivable	325,000	350,000

Fixed:

Plant and equipment — cost	\$ 9,572,817	
Automotive equipment — cost	1,707,997	
Roads — cost	158,664	
	<u>\$11,439,478</u>	
Less accumulated depreciation	3,820,988	\$7,618,490
Mining claims and properties acquired for issue of 925,000 shares and the payment of \$160,534	253,034	7,871,524
Interest in mining properties and subsidiary company at cost (note 1):		
Mining claims and expenditures thereon	\$1,812,979	
Subsidiary company —		
Shares — at cost	\$ 81,300	
Advances	6,164	87,464
		<u>1,900,443</u>
Deferred:		
Preproduction expenditures less amounts written off	\$ 312,931	
Stripping costs less amounts charged to production	1,691,174	2,004,105
		<u>\$18,208,192</u>

The accompanying notes to the financial statements are an integral part of these statements.

CORPORATION LIMITED

(laws of Canada)

ember 30, 1959

LIABILITIES

Current:

Accounts payable and accrued charges	\$ 589,943	
Dividend payable October 21, 1959	495,000	
Taxes payable	65,601	\$ 1,150,544
Accumulated tax reductions applicable to future years (note 2)		225,000

Capital and surplus:

Capital —

Authorized: 4,000,000 shares without nominal or par value		
Issued: 3,960,000 shares (note 1)	\$8,468,745	
Earned surplus	8,363,903	16,832,648

On behalf of the Board:

F. M. CONNELL, Director.

C. R. ELLIOTT, Director.

\$18,208,192

of this statement and should be read in conjunction therewith.

Cassiar Asbestos Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 1959

1. During the year, the company exercised its option to acquire the whole interest of Conwest Exploration Company Limited in a group of three properties by the issue of 160,000 shares of its capital stock. The position at September 30, 1959 with respect to each of these properties is as follows:

- (a) **The Clinton Creek group**

Under the terms of the option agreement with the original vendors, \$35,000 is still payable by the company and 300,000 shares are issuable in a company to be formed on or before December 31, 1960, with a total authorized capital of 3,000,000 shares.

- (b) **The Letain group**

The company has received 723,000 shares of Kutcho Creek Asbestos Company Limited, a company now formed under the terms of the option agreement with the original vendors. The company also has an option to purchase the remaining 27,000 issued shares from the original vendors for a total consideration of \$47,000. The financial statements of this company have not been consolidated since it has no liabilities other than \$6,164 advanced by Cassiar Asbestos Corporation Limited, and its only asset is these claims, which are in the preproduction and development stage. The title to the claims is presently being contested in the courts by the original vendor. In the opinion of legal counsel for the company the action will not succeed.

- (c) **The Caley group**

During the year, the company decided not to exercise its option in respect of this group of mineral claims and accordingly the option payments and exploration and development expenditures thereon have been written off to operations.

2. The income taxes payable in respect of the year amount to \$12,000. The difference of \$188,000 between this amount and the taxes charged against income results from claiming for tax purposes expenditures (stripping costs, capital cost allowances and preproduction expenditures) in an amount greater than the amounts recorded in the accounts. This difference is applicable to those future periods in which expenditures claimed for tax purposes will be less than the expenditures recorded in the accounts, and is accordingly shown in the balance sheet as "Accumulated tax reductions applicable to future years." In addition, due to the claiming for tax purposes of expenditures in prior years, \$37,000 previously provided for taxes has been transferred from "Taxes payable" to "Accumulated tax reductions applicable to future years."

Cassiar Asbestos Corporation Limited

STATEMENTS OF OPERATION AND EARNED SURPLUS

For Year Ended September 30, 1959

OPERATIONS

Profit on operations (after absorbing exploration expenditures of \$273,915 and charging stripping costs of \$259,288 to cost of production but before the following)		\$ 4,330,552
Income from investments and advances		53,367
		<u>\$ 4,383,919</u>
Deduct:		
Remuneration of executive officers	\$ 27,300	
Directors' fees	3,900	
Incorporation expense	4,218	35,418
		<u>\$ 4,348,501</u>
Profit before taxes on income, depreciation, amortization and outside exploration		\$ 4,348,501
Deduct income taxes (note 2)		200,000
		<u>\$ 4,148,501</u>
Deduct:		
Depreciation	\$ 923,508	
Amortization of exploration and development — deferred	34,402	
Expenditures on mining properties written off	147,012	1,104,922
		<u>\$ 3,043,579</u>
Net profit		<u><u>\$ 3,043,579</u></u>

EARNED SURPLUS

Balance September 30, 1958	\$ 7,300,324
Net profit (as above)	3,043,579
	<u>\$10,343,903</u>
Deduct four dividends totalling 50¢ per share	1,980,000
Balance September 30, 1959	<u><u>\$ 8,363,903</u></u>

The accompanying notes to the financial statements are an integral part of these statements and should be read in conjunction therewith.

Cassiar Asbestos Corporation Limited

Report of the General Manager

Mr. F. M. Connell, President
Cassiar Asbestos Corporation Limited
Suite 1001 - 85 Richmond Street West
Toronto 1, Ontario

Dear Sir:

I submit herewith my report on operations during the fiscal year ended September 30, 1959.

MINE

The 1959 mining season commenced April 6th and ended on November 6th, 1959. During this period 359,914 tons of ore and 1,339,249 tons of waste were mined and moved.

During the fiscal year 312,759 tons of ore were delivered to the millsite and 1,130,877 tons of waste were removed. Mining costs were comparable to the previous year.

The waste stripping to release ore for mining proceeded on schedule and expenditure for the fiscal year amounted to \$779,358.

DEVELOPMENT

Work in the adit on the 5700 foot level, 300 feet below the first adit and 600 feet below the outcrop, was continued during the year, and to date has indicated a very substantial increase in ore reserves. Approximately 5,000 feet of drifting and crosscutting was done. Ore was first encountered at 945 feet in the adit, vertically below the northern end of the drift on the 6000 foot level. The drift was driven south in good ore for 1,400 feet. A crosscut, No. 5703, was driven east and west from the main adit at a point 1,000 feet from the portal, and was in good grade ore for 560 feet. On the hanging wall side, a drift north from the 5703 east crosscut was driven 600 feet. The first 230 feet was in ore, and the balance in fibre-bearing serpentine. Additional crosscuts have been started and will be continued next season to define the boundaries of the ore zone at this horizon.

The ore obtained from underground exploration is being milled and tested on a production scale. The results to date indicate that both grade and quality are the same as the ore being mined at surface. Based on the results of the work to date, the next stage of the development programme, including additional stripping from the southern end of the orebody, is being planned, and additional mining equipment has been placed on order to permit an increased rate of mining and stripping next season.

MILL

The mill treated 344,233 tons of ore, for an average of 943 tons per calendar day. At the close of the ore mining season, there were 75,554 tons of dry ore in the dry rock storage building, and 144,510 tons of ore in the stockpile, sufficient to supply the mill at 1,068 tons per day until June, 1960.

During the past two years the sales commitments have required that the mill operate at full capacity on a year-round basis. This and the normal growth pattern have made necessary the installation of equipment which will increase the daily capacity from approximately 1,000 to 1,500 tons a day. The estimated cost of the expansion, including necessary construction, is \$150,000, and is scheduled for completion January 1, 1960.

The high quality of the fibre is being maintained, and all grades are being well received in world markets. Research work on asbestos fibres and their markets was undertaken during the year.

PLANT AND EQUIPMENT

The total cost of additions to plant and equipment during the year was \$608,230, and included the following:

Mine

- 1 Drillmaster
- Surge Bin

Plant

- Warehouse
- School Addition
- 1 House
- Additions to 3 Staff Houses

Transport

- Ambulance
- 3 Fibre Vans

OUTSIDE EXPLORATION

No work was done on the Clinton Creek property, where exploration to date has indicated reserves of over 5,000,000 tons of high grade asbestos ore.

Approximately 1,180 feet of underground drifting and crosscutting and 1,500 feet of trenching were completed on the Caley property, located about 10 miles from Clinton Creek and 30 miles northwest of Dawson City, Yukon Territory. As the results of this work were disappointing, the option has been dropped and the property returned to the original vendors.

Several other properties were examined, and two prospecting parties were maintained in the field.

An active exploration programme will be carried on next year.

ACKNOWLEDGMENTS

May I take this opportunity of thanking the Board of Directors for the support they have given management throughout the year, and to acknowledge the loyal and efficient service given the company by Mr. T. T. Tigert, Consulting Engineer, Mr. N. F. Murray, General Superintendent at the mine, and Mr. N. Gritzuk, Manager of the Transport Division, their staffs and employees.

Respectfully submitted,

J. D. CHRISTIAN, General Manager
CASSIAR ASBESTOS CORPORATION LIMITED

Toronto, Ontario
December 18, 1959

During the past two years the rate of investment has averaged 10% of the total assets of the company.

The high quality of the plant and equipment is well known and the company has a reputation for being a leader in its field.

The company is a leader in its field and has a reputation for being a leader in its field.

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Seventh Annual Report

**CASSIAR ASBESTOS CORPORATION
LIMITED**



As at September 30, 1958



Seventh Annual Report

of

Cassiar Asbestos Corporation Limited

OFFICERS

F. M. CONNELL, O.B.E. - - - - - President
W. HAROLD CONNELL - - - - - Vice-President
C. R. ELLIOTT, C.A. - - - - - Secretary-Treasurer

DIRECTORS

F. M. CONNELL, O.B.E. - - - - - Toronto, Ontario
W. HAROLD CONNELL - - - - - Spencerville, Ontario
K. A. CREERY - - - - - Montreal, Quebec
JOHN DRYBROUGH - - - - - Winnipeg, Manitoba
C. R. ELLIOTT, C.A. - - - - - Toronto, Ontario
J. E. KENNEDY - - - - - Toronto, Ontario
G. W. SMITH - - - - - Thetford Mines, Quebec
S. R. ZIMMERMAN, JR. - - - - - Manheim, Pennsylvania
P. MALOZEMOFF - - - - - New York, N.Y.
E. S. W. HUNT - - - - - New York, N.Y.
C. S. M. MORTIMER - - - - - Toronto, Ontario

GENERAL MANAGER

J. D. CHRISTIAN, C.B.E., B.A.Sc. - - - - - Toronto, Ontario

GENERAL SUPERINTENDENT

N. F. MURRAY, B.A.Sc. - - - - - Cassiar, British Columbia

CONSULTING ENGINEER

T. T. TIGERT, B.A.Sc. - - - - - Toronto, Ontario

MANAGER—TRANSPORT DIVISION

N. GRITZUK, B.Sc. - - - - - Whitehorse, Yukon Territory

TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY - - - - - Toronto, Ontario

BANKERS

THE ROYAL BANK OF CANADA

AUDITORS

CLARKSON, GORDON & CO. - - - - - Toronto, Ontario

SOLICITORS

MANNING, MORTIMER, MUNDELL & BRUCE - - - - - Toronto, Ontario

ADMINISTRATIVE OFFICE

SUITE 1001, 85 RICHMOND STREET WEST - - - - - Toronto, Ontario

MINE AND MILL

- - - - - Cassiar, British Columbia

ANNUAL MEETING

10 A.M., JANUARY 22, 1959
THE ROYAL YORK HOTEL - - - - - Toronto, Ontario

2000-2001

2002-2003

2004-2005

2006-2007

2008-2009

2010-2011

2012-2013

2014-2015

2016-2017

2018-2019

2020-2021

2022-2023

2024-2025

Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders

Cassiar Asbestos Corporation Limited

Your directors submit herewith the seventh annual report on the operations of your company, including financial statements prepared as at September 30, 1958, your auditors' report thereon and a report by Mr. J. D. Christian, General Manager.

The net profit for the year ended September 30, 1958 was \$2,897,473 after charging depreciation of \$960,983 and deferred development in the amount of \$262,973. A longshoremen's strike in Vancouver harbour prevented shipment of sales to a value of \$382,165 until October, that would normally have been shipped before the year end. Inclusion of these sales would have increased the profit for the year by \$139,000. It will be noted from the balance sheet that asbestos fibre on hand has been valued at cost instead of selling price in determining profits for the year. The total adjustment of prior years' earnings resulting from the change in accounting procedure amounting to \$808,988, is reflected in the surplus account. Of this amount \$650,000 applies to operations prior to September 30, 1955. The change in procedure has been adopted to prevent overstatement of profits in any period when production of fibre is in excess of current requirements to fill orders.

You will note that current assets amounted to \$5,212,058 and current liabilities amounted to \$1,314,951, or net working assets of \$3,897,107 as compared with net working assets at September 30, 1957 of \$3,584,571. Valuing inventories of fibre at selling price would increase the value of net working assets at September 30, 1958 by \$1,401,750.

The company's exemption under The Income Tax Act expired June 30, 1958. Exemption under The British Columbia Mining Tax Act which was expected to coincide with the exemption under The Income Tax Act was determined during the year by The British Columbia Tax Assessor to have terminated July 5, 1957, but the amount of the tax payable has not yet been assessed. Provision for taxes that may be payable has been made in the accounts.

The company's initial dividend of 10¢ per share was paid July 15, 1958 and a second dividend of 10¢ per share was declared payable October 20, 1958.

Sales were well maintained and prices for fibre remained firm. Mining and milling costs continue to show satisfactory improvement as development of the mining area and other improvements become effective.

You will note from the General Manager's report the very satisfactory ore position at the mine. Work in the lower adit since the end of the year indicates additional large tonnages of ore will be developed to this level. Work will be continued in the spring to further outline the ore body. Mill tests of samples taken from work to date indicate the grade of ore from the lower adit is comparable to that being mined at surface.

The expenditures on plant and equipment of \$867,954 and on exploration and development deferred of \$817,088 are referred to in the General Manager's Report.

Outside exploration during the year amounted to \$293,207 including option payments of \$18,000. Work was confined principally to development at the Clinton Creek property where more than 5,000,000 tons of asbestos ore has been indicated as reported by the General Manager.

Your company has now negotiated the purchase of the interest of Conwest Exploration Company Limited in the Clinton Creek, Caley and Letain asbestos properties for the issue of 160,000 shares of the authorized capital of your company in lieu of 200,000 shares and payment of \$400,000 required to fully exercise the option to purchase that interest pursuant to the agreement dated August 30, 1957 as set out in Note 3 to the financial statements.

The company's products are trucked from Cassiar to Whitehorse by the company's Transport Division and supplies including oil are moved as a back-haul with substantial savings in transportation costs. The efficiency of this operation has been well maintained and further improvement resulted from the replacement of gasoline powered highway units with larger diesel powered units that have proven more economical. Maintenance and improvement of the highway from Cassiar to the Yukon border was continued by the British Columbia Highway Department.

The board expresses its appreciation of the loyal and efficient services rendered the company by Mr. J. D. Christian, General Manager, Mr. N. F. Murray, General Superintendent, and Mr. N. Gritzuk, Manager of the Transport Division, and their staffs.

On behalf of the Board,

F. M. CONNELL,

President.

Toronto, Ontario

December 18, 1958

MONTREAL TORONTO HAMILTON
LONDON WINDSOR WINNIPEG
REGINA CALGARY EDMONTON
VANCOUVER

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

Clarkson, Gordon & Co.
Chartered Accountants

15 WELLINGTON STREET WEST

Toronto 1
CANADA

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the balance sheet of Cassiar Asbestos Corporation Limited as at September 30, 1958 and the statements of operations and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of operations and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at September 30, 1958 and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

Toronto, Canada,
December 18, 1958.

Clarkson Gordon & Co.
Chartered Accountants.

CASSIAR ASBESTOS CO.

(Incorporated under the laws of the Province of British Columbia)

Balance Sheet—September 30, 1955

ASSETS

Current:

Cash	\$ 770,281	
Government of Canada securities — at cost (market value \$199,120)	199,180	
Accounts receivable	970,950	
Asbestos fibre — at cost (note 1)	1,464,392	\$ 3,404,803
Ore stockpiled at mill — at cost	\$ 832,820	
Inventory of supplies valued at laid down cost	918,380	1,751,200
Prepaid expenses and deferred charges		56,055
		<u>\$ 5,212,058</u>

Investment in Territorial Supply Company Limited:

Shares (one-half the issued capital) at cost	\$ 25,000	
Notes receivable	250,000	275,000

Fixed:

Plant and equipment — cost	\$ 9,270,617	
Automotive equipment — cost	1,712,983	
Roads — cost	158,664	
	<u>\$11,142,264</u>	
Less accumulated depreciation	3,145,616	\$7,996,648
Mining claims and properties acquired for issue of 925,000 shares and the payment of \$160,478	252,978	8,249,626
Incorporation expenses		4,218

Exploration and development — deferred:

Expenditures to June 30, 1955 less amounts written off	\$ 347,333	
Stripping costs since September 30, 1955, less amounts charged to production (note 2)	1,171,104	
Mining claims held under option to purchase — at cost (note 3)	120,885	
Exploration and development thereon — deferred	423,796	2,063,118
		<u>\$15,804,020</u>

The accompanying notes to the financial statements are an integral part of these statements.

CORPORATION LIMITED

laws of Canada)

September 30, 1958

LIABILITIES

Current:

Accounts payable and accrued charges	\$ 623,263	
Dividend payable October 20, 1958	380,000	
Taxes payable (note 4)	311,688	\$ 1,314,951

Capital and surplus:

Capital —

Authorized: 4,000,000 shares without nominal or par value		
Issued: 3,800,000 shares (note 3)	\$7,188,745	
Earned surplus	7,300,324	14,489,069

On behalf of the Board:

F. M. CONNELL, Director.

C. R. ELLIOTT, Director.

\$15,804,020

of this statement and should be read in conjunction herewith.

Cassiar Asbestos Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 1958

1. At September 30, 1958 the company's fibre inventories were valued at cost. At September 30, 1957 the fibre inventories were valued at selling price. Due to this change the inventories at September 30, 1958 are stated \$1,401,750 lower than they would have been under the former method and net profit for the 1958 year is reduced \$542,762. The reduction in the value of the inventory at September 30, 1957 due to the change in basis is \$808,988 and is shown as a reduction of earned surplus as at that date.
2. During the fiscal year, the company increased the rate of write-off to production in respect of stripping costs. The increase applicable to production for the period prior to September 30, 1957 is \$53,046 and is shown as a reduction of earned surplus at that date.
3. Under an agreement dated August 30, 1957 Conwest Exploration Company Limited granted to the company an option to purchase the total interest of Conwest in three groups of mineral claims known as the Letain group, the Caley group and the Clinton Creek group for a total consideration of \$500,000 cash and 200,000 shares of the capital stock of the company payable at the option of the company over a period of years. At September 30, 1958 \$100,000 cash has been paid and by agreement subsequent to that date Conwest Exploration Company Limited has agreed to accept on or before December 31, 1958 160,000 shares of the capital stock of the company in full settlement of the balance of the option price.

Under the terms of the option agreements from the original vendors the following amounts are payable and the shares noted hereunder are issuable in companies to be formed at the option of the company:

- | | |
|---------------------|--|
| Letain group | — 32,000 shares of a company now formed which may be purchased by the company for a total consideration of \$52,000 payable over three years. |
| Caley group | — \$35,000 payable over two years and 300,000 shares of the 3,000,000 authorized share capital of a company to be formed by December 31, 1959. |
| Clinton Creek group | — \$45,000 payable over three years and 300,000 shares of the 3,000,000 authorized share capital of a company to be formed by December 31, 1960. |

4. Under the Income Tax Act, the company was exempt from federal taxation for the three years ended June 30, 1958. However, provincial tax exemption under the Mining Tax Act of British Columbia has only been granted to July 5, 1957. The tax applicable for the period to September 30, 1957 has not yet been determined. Provision for liability in this regard has been made in the amount of \$70,000 and has been charged to earned surplus.

Cassiar Asbestos Corporation Limited

STATEMENTS OF OPERATIONS AND EARNED SURPLUS

For Year Ended September 30, 1958

OPERATIONS

Profit on operations after absorbing stripping costs of \$224,050 and before the following		\$4,256,680
Interest earned less interest paid		10,257
		<u>\$4,266,937</u>
Deduct:		
Directors' fees	\$ 2,550	
Remuneration of executive officers	25,008	27,558
		<u>\$4,239,379</u>
Profit before taxes on income, depreciation and amortization		\$4,239,379
Deduct taxes on income		342,000
		<u>\$3,897,379</u>
Profit before depreciation and amortization		\$3,897,379
Deduct:		
Depreciation	\$ 960,983	
Amortization of exploration and development—deferred	38,923	999,906
		<u>\$2,897,473</u>
Net profit		<u>\$2,897,473</u>

EARNED SURPLUS

Balance September 30, 1957		\$6,094,885
Deduct adjustments applicable to prior years in respect of:		
Reduction in value of inventory of asbestos fibre at September 30, 1957 to cost (note 1)	\$ 808,988	
Stripping costs—deferred (note 2)	53,046	
Taxes (note 4)	70,000	932,034
		<u>\$5,162,851</u>
Adjusted balance September 30, 1957		\$5,162,851
Net profit (as above)		2,897,473
		<u>\$8,060,324</u>
Deduct dividends:		
10¢ per share paid July 15, 1958	\$ 380,000	
10¢ per share payable October 20, 1958	380,000	760,000
		<u>\$7,300,324</u>
Balance September 30, 1958		<u>\$7,300,324</u>

The accompanying notes to the financial statements are an integral part of these statements and should be read in conjunction herewith.

Cassiar Asbestos Corporation Limited

Report of the General Manager

Mr. F. M. Connell, President
Cassiar Asbestos Corporation Limited
Suite 1001, 85 Richmond Street West
Toronto 1, Ontario

Dear Sir:

I submit herewith my report on operations during the fiscal year ended September 30th, 1958.

MINE

The 1958 mining season commenced March 24 and ended on September 28. During this period 352,102 tons of ore and 1,163,419 tons of waste were mined and moved.

During the fiscal year, 384,250 tons of ore were delivered to the millsite, and 1,351,651 tons of waste were removed.

Substantial savings in mining costs were achieved by —

- (1) full utilization of larger trucks and shovels;
- (2) the introduction of larger drilling equipment;
- (3) partial conversion to ammonium nitrate as the blasting agent; and
- (4) the increased capacity of the tramline.

Construction work on a new storage bin at the head-end of the tramline has been started. It is anticipated that this will result in a further reduction in cost.

It is estimated there are 8,000,000 tons of ore available in the first stage of the open pit mining programme, which extends to a depth of 120' below the 6000' adit level.

Expenditure on the waste removal programme for the year amounted to \$817,088.

DEVELOPMENT

The development programme on the 6000' adit level was completed during the year. The main drift south continued in good ore for an additional 450'. At this point sediments were encountered in what is believed to be a fault zone. The work has extended the indicated ore zone 300' to the south of the previously assumed limit. A 230' cross-cut was driven east into the hanging wall to determine the serpentine-sedimentary contact, but did not extend the ore zone in this direction.

A new adit at the 5703' elevation, approximately 300' below the first adit work, was started from the Cirque Valley, and driven in a southerly direction. The ore zone was entered at 945', after the end of the fiscal year. The first 530' of the adit was in frozen asbestos-bearing talus; from 530' to 945' the drift was in solid, highly sheared, barren serpentine. At 945', which is almost vertically below the northern end of the 6000' level, typical mine ore was encountered. The face was advanced 85' to the south, and a cross-cut was then started to the east. The cross-cut advanced 387' in good mine grade ore. This, combined with a test hole to the west of the drift, gives a total width of 540' developed to date. All headings were in ore when work was suspended for the season. The development of the ore zone at the 5700' horizon will be continued next year. The second stage of the mining programme will be based on the ore indicated by this work. The results to date indicate that a very substantial increase in the ore reserves may be anticipated.

MILL

The mill treated 389,232 tons of ore, for an average of 1,065 tons per calendar day.

Some changes in the mill circuit and equipment, made towards the end of the fiscal year, have improved fibre recovery.

The high quality of the fibre was maintained throughout the year, and research work in this direction is continuing.

At the end of the fiscal year, with the mining season completed, there were 92,415 tons of dry ore in the dry rock storage building, and 152,222 tons of ore in the stockpile; sufficient to supply the mill at 1,000 tons per day until June, 1959.

The dust collecting system has proven very effective, and has greatly reduced the problems encountered in winter milling.

The method of handling bagged fibre has been substantially improved by further mechanization.

PLANT AND EQUIPMENT

Total cost of additions to plant and equipment during the year was \$867,954, and included the following:

Mill

- No. 2 Fibre Storage Building
- Improved Bagging and Handling Equipment
- Additions to Group 5 Fibre Circuit

Mine

- 1 — Drillmaster
- Increased Capacity of Tramline
- Exploration Equipment

Plant and Townsite

2 — Diesel Generators (913 KVA)
Garage Building
Recreation Club Lounge
Cookery Addition

Transport

3 — Fibre Haul Trucks and Vans

OUTSIDE EXPLORATION

An extensive exploration programme was carried out on the Clinton Creek group of claims. This is one of the three properties held under option from Conwest and is located 40 miles northwest of Dawson City, Yukon Territory. A total of 5,300' of drifting and cross-cutting was completed under the surface showings which were exposed by trenching.

An extensive sampling programme was carried out in conjunction with the underground work. Five separate bulk samples, totalling 423 tons, were shipped to Cassiar and milled on a production scale to determine the fibre recovery. Smaller samples were also run in the pilot mill to give the distribution of values and as a check on the bulk sampling.

The work was carried out under the direction of the General Superintendent, Mr. N. F. Murray. He reports more than 5,000,000 tons of high grade asbestos ore indicated to fifty feet below the adit level; and a waste-to-ore ratio of approximately 2 to 1. An independent consulting engineer has substantially confirmed Mr. Murray's estimates.

No work was done on the Caley property. A land survey of the Letain property has been carried out preparatory to obtaining patents to the claims.

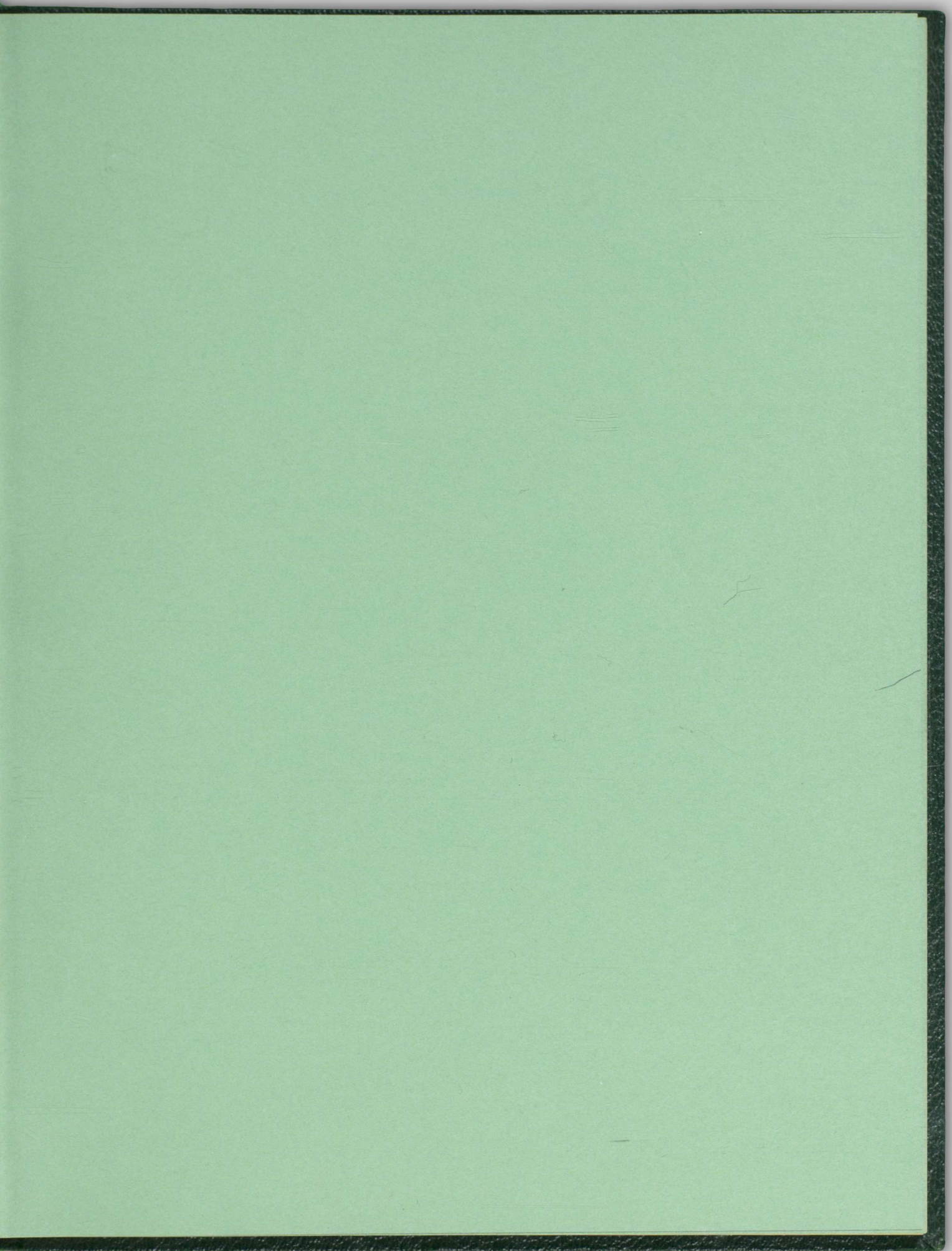
ACKNOWLEDGMENTS

May I take this opportunity of thanking the Board of Directors for the support they have given management throughout the year, and to acknowledge the loyal and efficient service given the company by Mr. T. T. Tigert, Consulting Engineer, Mr. N. F. Murray, General Superintendent at the mine, and Mr. N. Gritzuk, Manager of the Transport Division, their staffs and employees.

Respectfully submitted,

J. D. CHRISTIAN, General Manager
CASSIAR ASBESTOS CORPORATION LIMITED

Toronto, Ontario
December 18th, 1958

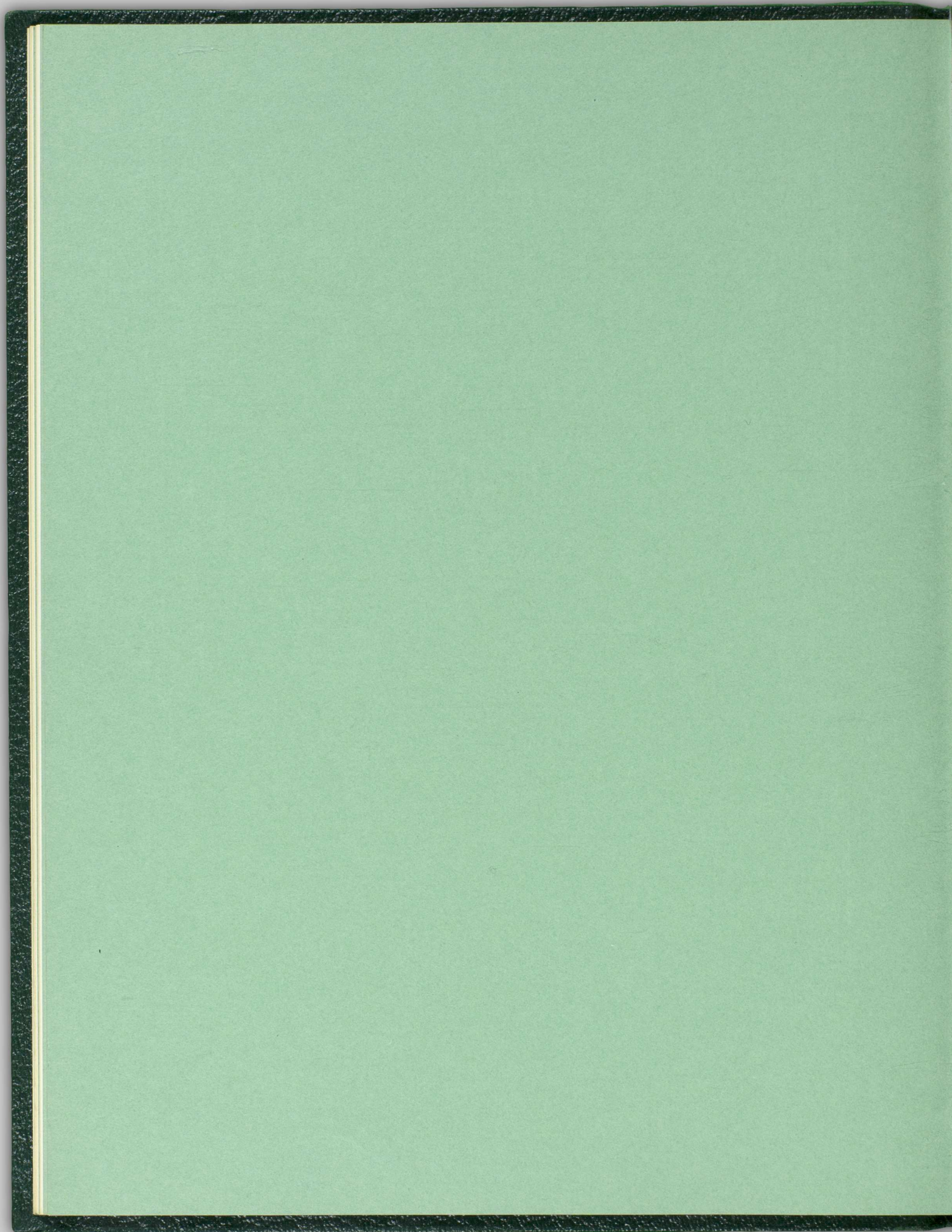


Sixth Annual Report

**CASSIAR ASBESTOS CORPORATION
LIMITED**



As at September 30, 1957



Sixth Annual Report

of

Cassiar Asbestos Corporation Limited

OFFICERS

F. M. CONNELL, O.B.E. - - - - - President
W. HAROLD CONNELL - - - - - Vice-President
C. R. ELLIOTT, C.A. - - - - - Secretary-Treasurer

DIRECTORS

F. M. CONNELL, O.B.E. - - - - - Toronto, Ontario
W. HAROLD CONNELL - - - - - Spencerville, Ontario
J. M. CONNELL - - - - - Toronto, Ontario
K. A. CREERY - - - - - Montreal, Quebec
JOHN DRYBROUGH - - - - - Winnipeg, Manitoba
C. R. ELLIOTT, C.A. - - - - - Toronto, Ontario
J. E. KENNEDY - - - - - Toronto, Ontario
G. W. SMITH - - - - - Thetford Mines, Quebec
S. R. ZIMMERMAN, JR. - - - - - Manheim, Pennsylvania
P. MALOZEMOFF - - - - - New York, N.Y.
E. S. W. HUNT - - - - - New York, N.Y.

GENERAL MANAGER

J. D. CHRISTIAN, C.B.E., B.A.Sc. - - - - - Toronto, Ontario

GENERAL SUPERINTENDENT

N. F. MURRAY, B.A.Sc. - - - - - Cassiar, British Columbia

CONSULTING ENGINEER

T. T. TIGERT, B.A.Sc. - - - - - Toronto, Ontario

MANAGER — TRANSPORT DIVISION

N. GRITZUK, B.Sc. - - - - - Whitehorse, Yukon Territory

TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY - - - - - Toronto, Ontario

BANKERS

THE ROYAL BANK OF CANADA

AUDITORS

CLARKSON, GORDON & CO. - - - - - Toronto, Ontario

SOLICITORS

MANNING, MORTIMER & MUNDELL - - - - - Toronto, Ontario

ADMINISTRATIVE OFFICE

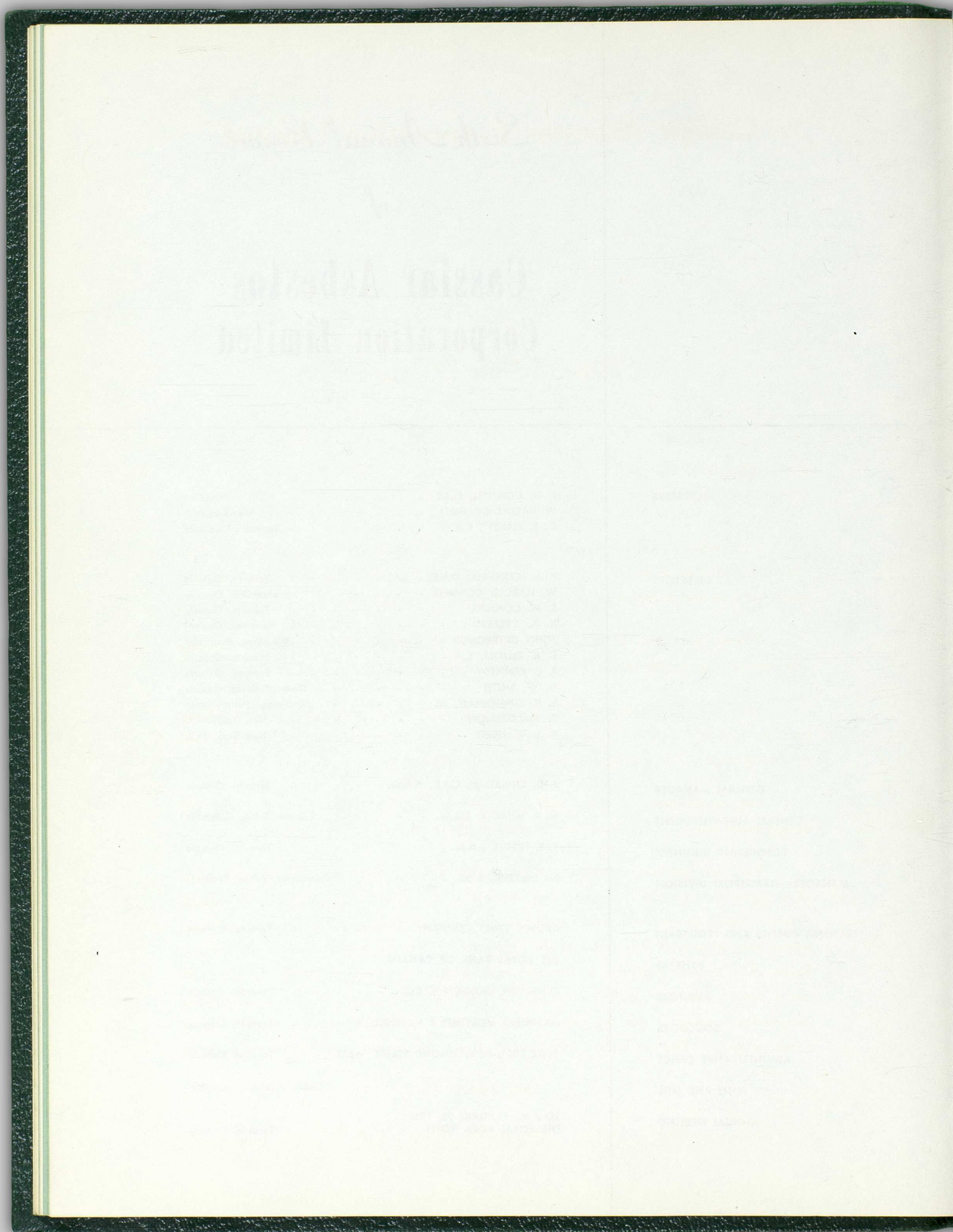
SUITE 1001, 85 RICHMOND STREET WEST - - - - - Toronto, Ontario

MINE AND MILL

- - - - - Cassiar, British Columbia

ANNUAL MEETING

10 A.M., JANUARY 20, 1958
THE ROYAL YORK HOTEL - - - - - Toronto, Ontario



Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
Cassiar Asbestos Corporation Limited.

Your directors submit herewith the sixth annual report on the operations of your company, including financial statements prepared as at September 30, 1957, your auditors' report thereon and a report by Mr. J. D. Christian, General Manager.

The net profit for the year ended September 30, 1957 was \$2,811,295 after charging depreciation aggregating \$862,419 and deferred development in the amount of \$200,462.

Sales were well maintained and prices for fibre remained firm. Mining and milling costs have shown satisfactory improvement and further reductions in costs are expected as development of the mining area and other improvements become effective.

The expenditures on plant and equipment of \$1,672,665 and on exploration and development deferred of \$545,635 are referred to in the General Manager's Report.

Your company has an option to purchase from Conwest Exploration Company Limited all its rights and interest in three asbestos properties (the Letain, the Caley and the Clinton Creek). Initial development work by Conwest had indicated important showings of asbestos ore on each property. The terms of the agreement are set out in the notes to the Balance Sheet. The amount expended to the year end on this project was \$229,398 including the initial option payment of \$100,000, the cost of the examination of the properties by independent geologists and the camps, equipment and exploration charges at the Clinton Creek property. The ore body on the Clinton Creek property is being developed by open

cuts and two adits. Mill tests of the ore will be made during the current year. The Clinton Creek and the Caley properties are in the Yukon Territory approximately 40 miles north-west of Dawson and the Letain property is in Northern British Columbia approximately 60 miles south-east of Cassiar. It will be your company's policy to maintain an active exploration department to explore for and acquire asbestos properties of merit in the area.

You will note that after providing for the foregoing capital expenditure, current assets amounted to \$4,571,341 and current liabilities amounted to \$986,770, or net working assets of \$3,584,571 as compared with net working assets at September 30, 1956 of \$2,310,450.

The company's products are trucked from Cassiar to Whitehorse by the company's Transport Division and supplies including oil are moved as a back-haul with substantial savings in transportation costs. The efficiency of this operation has been well maintained and further improvement is expected from the replacement of gasoline powered highway units with larger diesel powered units that have proven more economical. Maintenance and improvement of the highway from Cassiar to the Yukon border was continued by the British Columbia Highway Department.

The board expresses its appreciation for the loyal and efficient services rendered the company by Mr. J. D. Christian, General Manager, and his staff, and by Mr. N. Gritzuk, Manager of the Transport Division, and his staff.

On behalf of the Board,

F. M. CONNELL,

President.

Toronto, Ontario.

December 20, 1957.

MONTREAL, TORONTO, HAMILTON
LONDON, WINNIPEG, REGINA
CALGARY, EDMONTON, VANCOUVER

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

Clarkson, Gordon & Co.
Chartered Accountants

15 WELLINGTON STREET WEST

Toronto 1
CANADA

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the balance sheet of Cassiar Asbestos Corporation Limited as at September 30, 1957 and the statements of operations and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of operations and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of affairs of the company as at September 30, 1957 and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

Toronto, Canada,
December 17, 1957.

Clarkson, Gordon & Co.
Chartered Accountants.

CASSIAR ASBESTOS CO.

(Incorporated under the laws of the Province of Ontario)

Balance Sheet — 31st December 1955

ASSETS

Current:

Cash	\$ 142,869	
Accounts receivable	754,764	
Asbestos fibre at market value	2,002,416	\$ 2,900,049
Ore stockpiled at mill at cost	\$ 805,753	
Inventory of supplies valued at laid down cost	820,186	1,625,939
Prepaid insurance and other charges		45,353
		<u>\$ 4,571,341</u>

Investment — Territorial Supply Company Limited:

Shares (one-half the issued capital) at cost	\$ 25,000	
Notes receivable	150,000	175,000

Fixed:

Plant and equipment — cost	\$ 8,441,638	
Automotive equipment — cost	1,674,008	
Roads — cost	158,664	
Mining claims and properties acquired for issue of 925,000 shares and the payment of \$153,493	245,993	
	<u>\$10,520,303</u>	
Less accumulated depreciation	2,247,228	\$ 8,273,075

Incorporation expenses 4,218

Exploration and development — deferred:

Expenditures to June 30, 1955 less amounts written off	\$ 386,256	
Stripping costs since September 30, 1955, less amounts charged to production	631,112	
Mining claims held under option to purchase (Note 1) — cost	102,895	
Exploration and development thereon deferred	126,503	1,246,766
		<u>\$14,270,400</u>

CORPORATION LIMITED

the laws of Canada)

September 30, 1957

LIABILITIES

Current:

Accounts payable and accrued charges \$ 986,770

Capital and surplus:

Capital —

Authorized — 4,000,000 shares without nominal or par value

Issued — 3,800,000 shares (Note 1) \$7,188,745

Earned surplus 6,094,885 13,283,630

On behalf of the Board:

F. M. CONNELL, Director.

C. R. ELLIOTT, Director.

\$14,270,400

Cassiar Asbestos Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 1957

Note 1.

Under agreement dated August 30, 1957, Conwest Exploration Company Limited granted to the company an option to purchase the total interest of Conwest in three groups of mineral claims known as the Letain group, the Caley group and the Clinton Creek Group for a total consideration of \$500,000.00 cash and 200,000 shares of the capital stock of the company payable at the option of the company as follows:

\$100,000 upon execution of the agreement which has been paid

\$100,000 on or before October 1, 1958

\$100,000 on or before October 1, 1959

\$200,000 and the allotment and issue to Conwest of 200,000 shares of the capital stock of the company on or before October 1, 1960.

Under the terms of the option agreements from the original vendors the following amounts are payable and the shares noted hereunder are issuable in companies to be formed at the option of the company:

Letain group — 37,000 shares which may be purchased by the company for a total consideration of \$57,000 payable over four years.

Caley group — \$45,000 payable over two years and 300,000 shares of the capital stock of a company to be formed by December 31, 1959.

Clinton Creek group — \$48,000 payable over three years and 300,000 shares of the capital stock of a company to be formed by December 31, 1960.

Note 2.

Under the Income Tax Act the company is exempt from taxation for three years commencing July 1, 1955.

Cassiar Asbestos Corporation Limited

STATEMENTS OF OPERATIONS AND EARNED SURPLUS

For Year Ended September 30, 1957

OPERATIONS

Sales of asbestos fibre		\$8,314,620
Less:		
Cost of production (including \$162,246 stripping costs absorbed)	\$2,881,763	
Shipping and marketing costs	1,600,496	4,482,259
		<u>\$3,832,361</u>
General and administrative expenses:		
Directors' fees	\$ 2,150	
Legal fees	3,090	
Remuneration of executive officers	25,043	
Interest paid less earned	15,656	
Administrative expenses	74,492	120,431
		<u>\$3,711,930</u>
Profit before depreciation and amortization		\$3,711,930
Depreciation of plant and equipment	\$ 862,419	
Amortization of exploration and development — deferred	38,216	900,635
		<u>\$2,811,295</u>
Net profit		<u>\$2,811,295</u>

EARNED SURPLUS

Balance September 30, 1956	\$3,283,590
Net profit (as above)	2,811,295
Balance September 30, 1957	<u>\$6,094,885</u>

Cassiar Asbestos Corporation Limited

Report of the General Manager

Mr. F. M. Connell, President,
Cassiar Asbestos Corporation Limited,
Suite 1001, 85 Richmond Street West,
Toronto 1, Ontario.

Dear Sir:

I submit herewith my report on operations during the fiscal year ended September 30th, 1957.

Mine

The 1957 mining season commenced March 20th and ended November 7th. During this period 414,827 tons of ore and 876,349 tons of waste were mined and moved, for an average of 2,360 tons of ore and 3,770 tons of waste per operating day.

During the fiscal year, 405,615 tons of ore were delivered to the millsite, and 688,117 tons of waste were removed.

The addition of two shovels and six 24-ton trucks to the mining equipment greatly facilitated the movement of both ore and waste. However, the 1958 mining season will be well advanced before the haulage roads and working areas are sufficiently developed to permit full utilization of these units.

Good progress was made in the removal of waste from the hanging wall of the orebody, and sufficient ore for the 1958 mill requirements is stripped and available for mining. An access road to the peak of the mountain was constructed, and 67,000 tons of rock were removed from this area in preparation for the next phase of the waste removal programme.

The bin, crusher and main haulage road were moved clear of the orebody to the foot-wall side, and are now well located for several years' operation. Improvements were made

in the loading arrangements for the tramline, which moved 225,884 tons of ore. By increasing the dimensions of the buckets, it is expected the capacity of this line will be further improved.

Mill

The mill treated 382,186 tons of ore, for an average of 1,045 tons per calendar day, with a fibre recovery of \$22.41 per ton. Four grades of spinning fibre, i.e. No. 1 Crude, "AAA", "AA" and "A"; and four grades of cement and shingle fibre, i.e. "AC", "AK", "AS" and "AX", are now being produced. Continued research has resulted in further uniformity of grading and in improved quality of these products.

At the close of the ore mining season, October 16, 1957, there were 83,844 tons in the dry rock storage building, and 161,759 tons in the stockpile; sufficient to supply the mill at 1,000 tons per day until June, 1958.

A dust collecting system was installed. Besides removing the dust, it is expected to improve the temperature and humidity of the mill air sufficiently to reduce to a great degree the difficulties of milling in winter encountered in the past.

Development

Development was directed according to the long-term mining programme outlined last year. Ore reserves remain unchanged. The total expenditure amounted to \$545,635.69.

It is anticipated that a new adit will be driven in 1958, probably from the Cirque side, to explore the orebody approximately 200 feet below the present adit level.

Plant and Equipment

During the fiscal year the following additions were made to the plant and equipment:

Plant and Townsite —

- 7 Pan-Abode staff dwellings
- General Office
- Carpenter Shop
- Electrical and Mechanical Shop
- Telephone Exchange

Mill —

- Dust Collecting System
- Group 5 Fibre Circuit
- Fibre Storage Building

Mine —

- 1,000 cu. ft. Compressor Capacity
- 2 — Wagon Drills
- 1 — 2½-yard Shovel
- 1 — 1½-yard Shovel
- 1 — ¾-yard Motor Crane
- 6 — 24-ton Ore Trucks

Transport —

- 2 — Fibre Haul Vans
- 2 — Man Carriers

The investigation of the possible power site was discontinued, as the estimated costs were considered to be too high.

Sales

The sale of spinning fibre remained steady throughout the year, and there was a marked increase in the sale of asbestos cement fibres. A price increase of 5% on all grades was made effective October 1st, 1957. It is anticipated that the volume of sales for the coming year will remain at about the same level as the year under review.

Outside Exploration

Options were taken on three asbestos properties. The Clinton Creek and Caley properties are in the Dawson area of the Yukon Territory, and the Letain property is located southeast of Dease Lake in Northern British Columbia.

Work on the Clinton Creek property in preparation for the driving of two adits during the winter months was under way at the year-end.

Acknowledgements

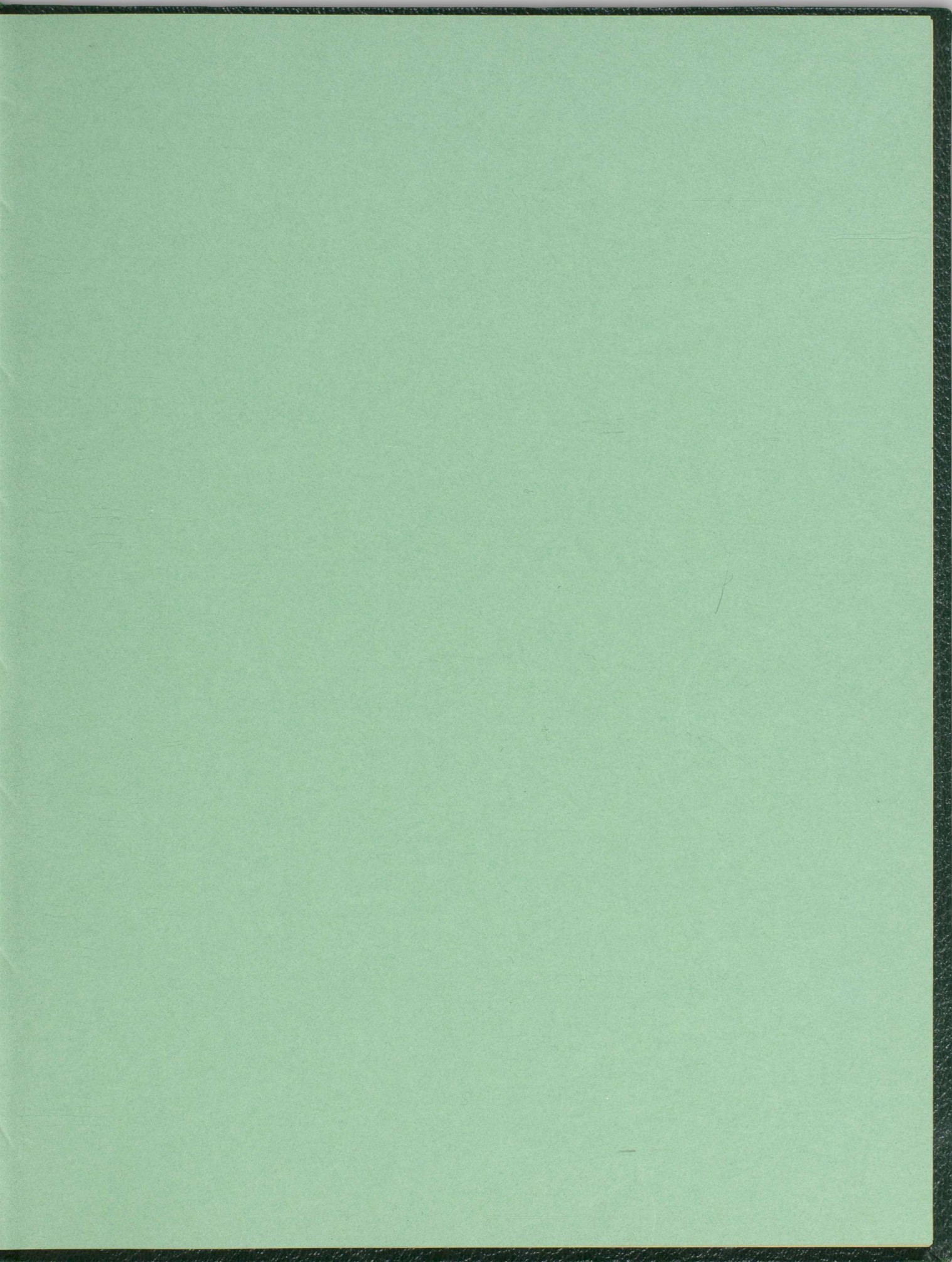
May I take this opportunity of thanking the Board of Directors for the support they have given management throughout the year, and to acknowledge the loyal and efficient services given the company by Mr. T. T. Tigert, Consulting Engineer, Mr. N. F. Murray, General Superintendent at the mine, and Mr. N. Gritzuk, Manager of the Transport Division, their staffs and employees.

Respectfully submitted,

J. D. CHRISTIAN,
General Manager.

CASSIAR ASBESTOS CORPORATION LIMITED.

Toronto, Canada,
December 17, 1957.

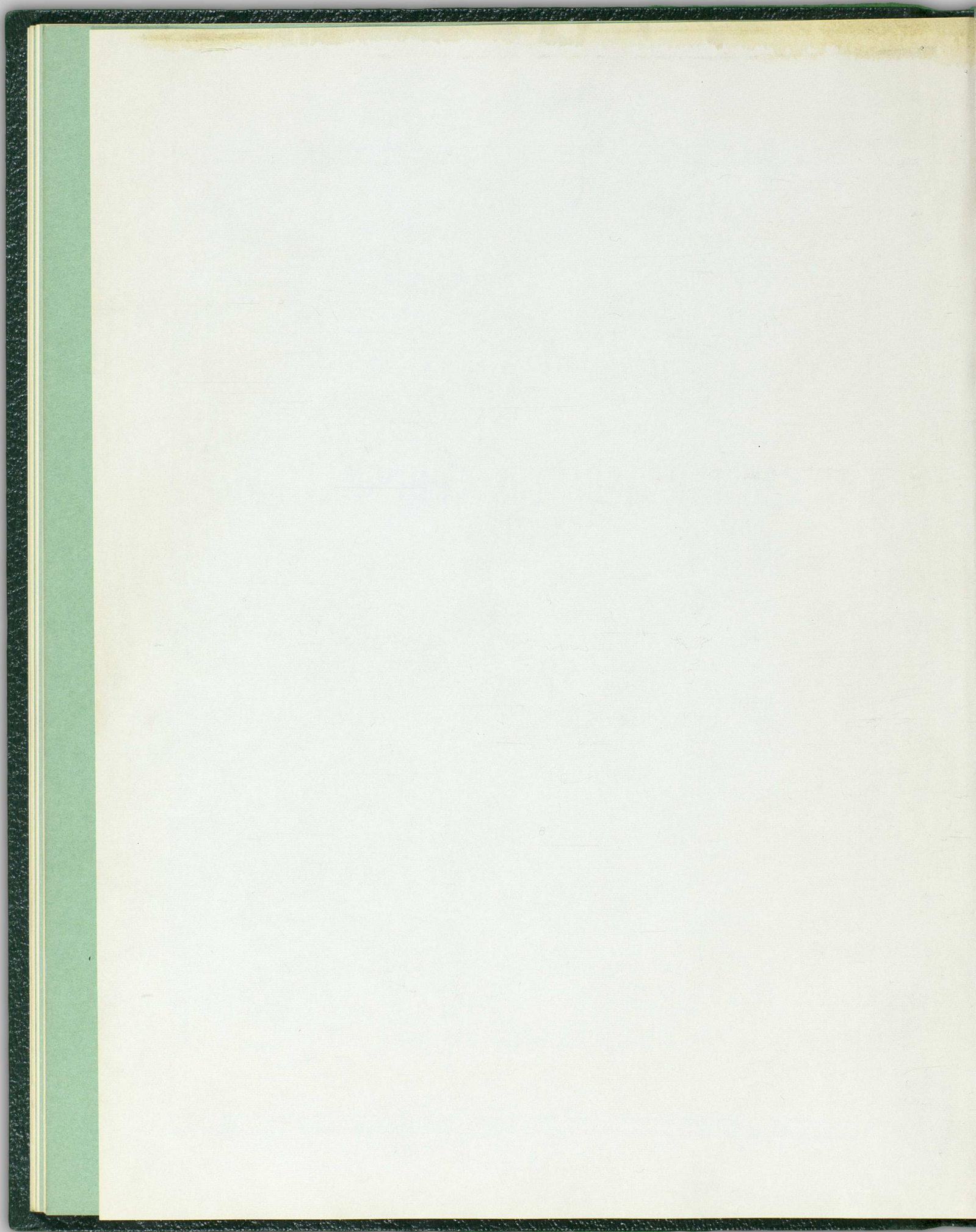


Fifth Annual Report

**CASSIAR ASBESTOS CORPORATION
LIMITED**



As at September 30, 1956



Fifth Annual Report

of

Cassiar Asbestos Corporation Limited

OFFICERS

F. M. CONNELL, O.B.E. - - - - - President
W. HAROLD CONNELL - - - - - Vice-President
C. R. ELLIOTT, C.A. - - - - - Secretary-Treasurer

DIRECTORS

F. M. CONNELL, O.B.E. - - - - - Toronto, Ontario
W. HAROLD CONNELL - - - - - Spencerville, Ontario
J. M. CONNELL - - - - - Toronto, Ontario
K. A. CREERY - - - - - Montreal, Quebec
JOHN DRYBROUGH - - - - - Winnipeg, Manitoba
C. R. ELLIOTT, C.A. - - - - - Toronto, Ontario
J. E. KENNEDY - - - - - Toronto, Ontario
G. W. SMITH - - - - - Thetford Mines, Quebec
S. R. ZIMMERMAN, JR. - - - - - Manheim, Pennsylvania
P. MALOZEMOFF - - - - - New York, N.Y.
A. B. MORTIMER * - - - - - Toronto, Ontario

GENERAL MANAGER

J. D. CHRISTIAN, C.B.E., B.A.Sc. - - - - - Toronto, Ontario

GENERAL SUPERINTENDENT

N. F. MURRAY, B.A.Sc. - - - - - Cassiar, British Columbia

CONSULTING ENGINEER

T. T. TIGERT, B.A.Sc. - - - - - Toronto, Ontario

MANAGER — TRANSPORT DIVISION

N. GRITZUK, B.Sc. - - - - - Whitehorse, Yukon Territory

TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY - - - - - Toronto, Ontario

BANKERS

THE ROYAL BANK OF CANADA

AUDITORS

CLARKSON, GORDON & CO. - - - - - Toronto, Ontario

SOLICITORS

MANNING, MORTIMER & MUNDELL - - - - - Toronto, Ontario

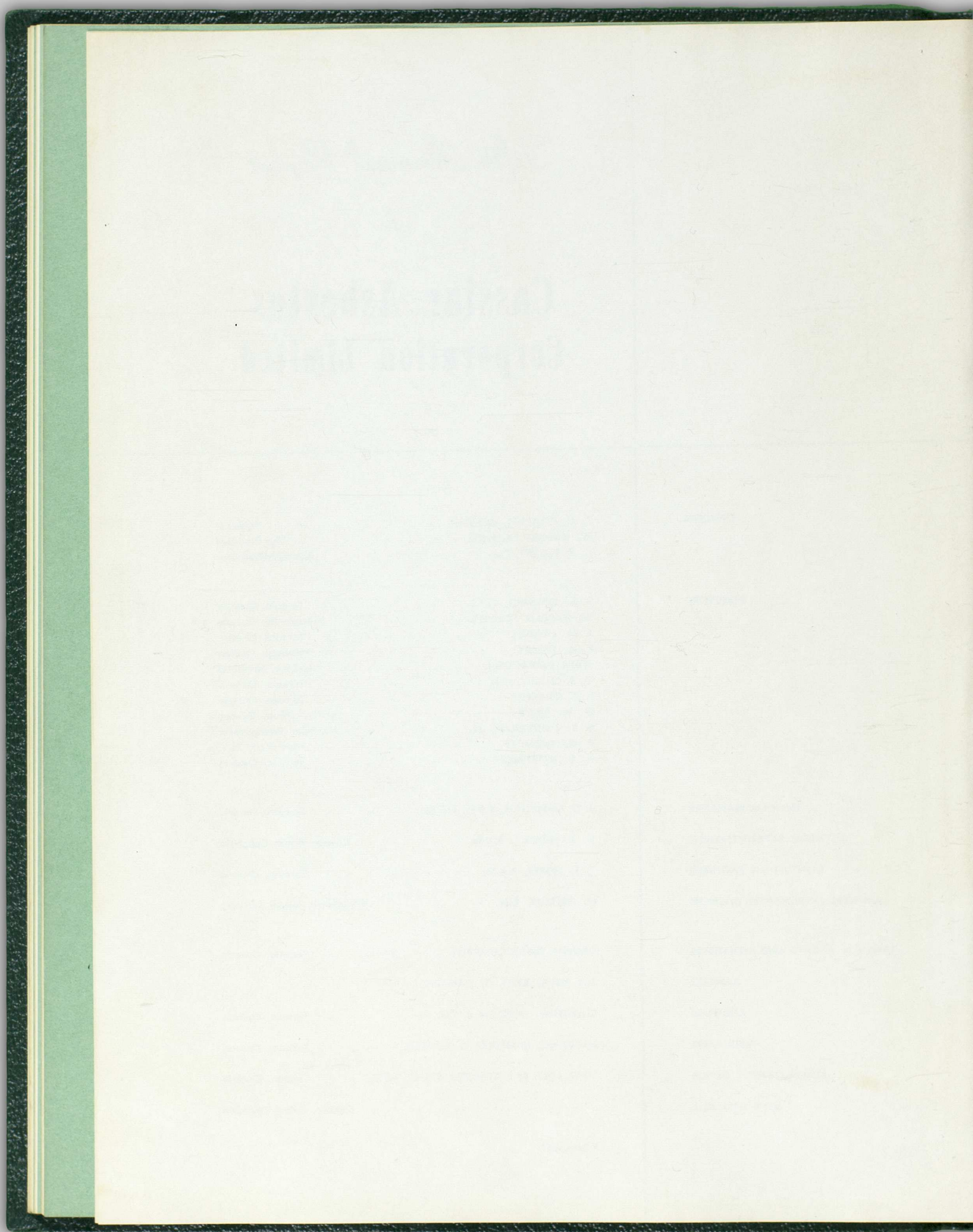
ADMINISTRATIVE OFFICE

SUITE 1001, 85 RICHMOND STREET WEST - - - - - Toronto, Ontario

MINE AND MILL

- - - - - Cassiar, British Columbia

* Deceased.



Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
Cassiar Asbestos Corporation Limited.

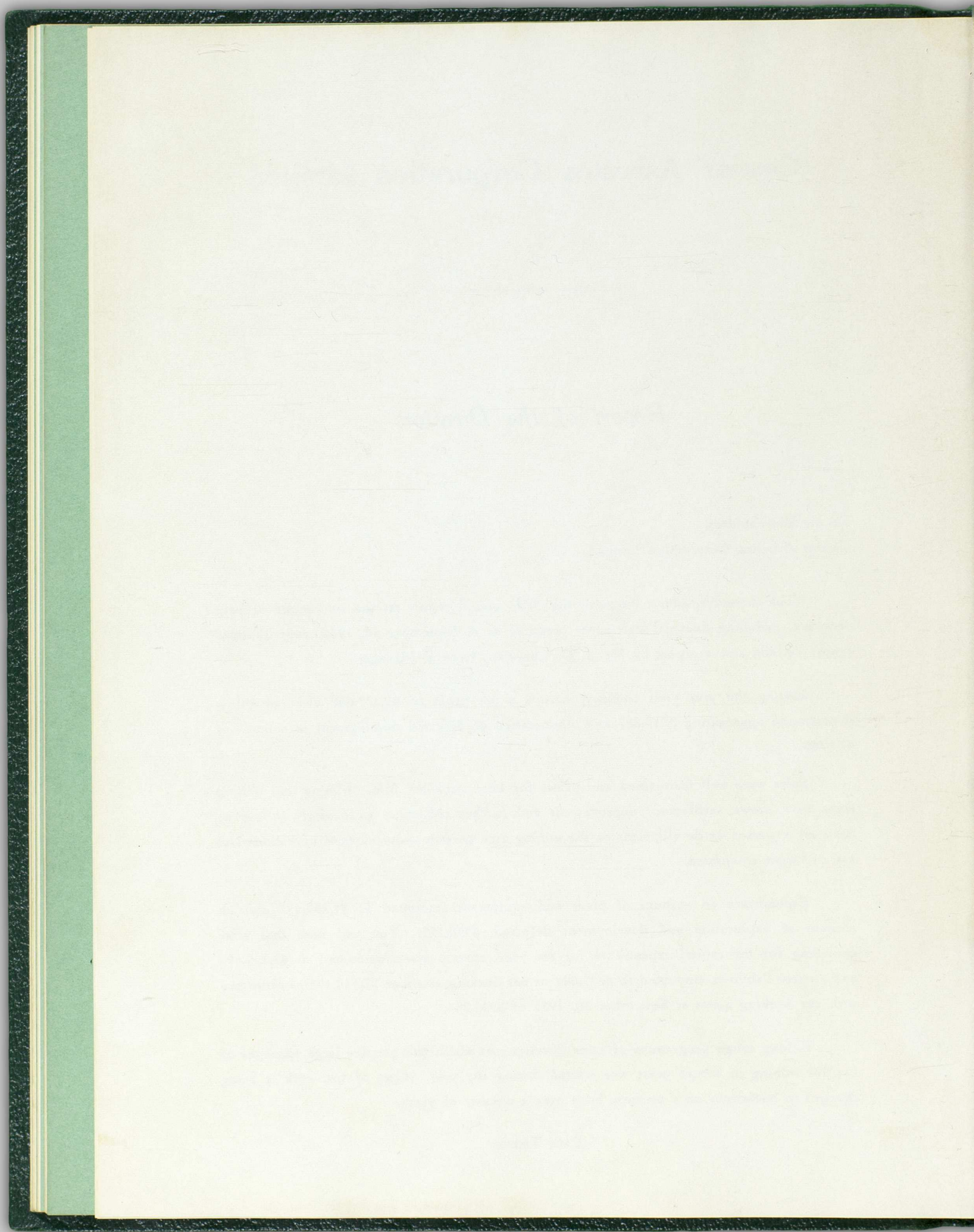
Your directors submit herewith the fifth annual report on the operations of your company, including financial statements prepared as at September 30, 1956, your auditors' report thereon and a report by Mr. J. D. Christian, General Manager.

During the year your company earned a net profit of \$2,225,088 after providing depreciation aggregating \$719,887 and amortization of deferred development in amount of \$25,785.

Sales were well maintained and prices for fibre remained firm. Mining and milling costs have shown satisfactory improvement and further reductions particularly in mining costs are expected as development of the mining area permits more efficient operations and use of larger equipment.

Expenditure on account of plant and equipment amounted to \$1,259,432 and on account of exploration and development deferred, \$390,255. You will note that after providing for the capital expenditure for the year, current assets amounted to \$3,129,494 and current liabilities amounted to \$819,044 or net working assets of \$2,310,450 as compared with net working assets at September 30, 1955 of \$939,544.

A long range programme of mine development which will prepare large tonnages of ore for mining in future years was started during the year. Cost of the work is being charged to operations on a uniform basis over a number of years.



The company's products are trucked from Cassiar to Whitehorse by the company's transport division and supplies including oil are moved as a back-haul with substantial savings in transportation costs. The efficiency of this operation was well maintained. Maintenance and improvement of the highway from Cassiar to the Yukon border was continued by the Highway Department of the British Columbia Government.

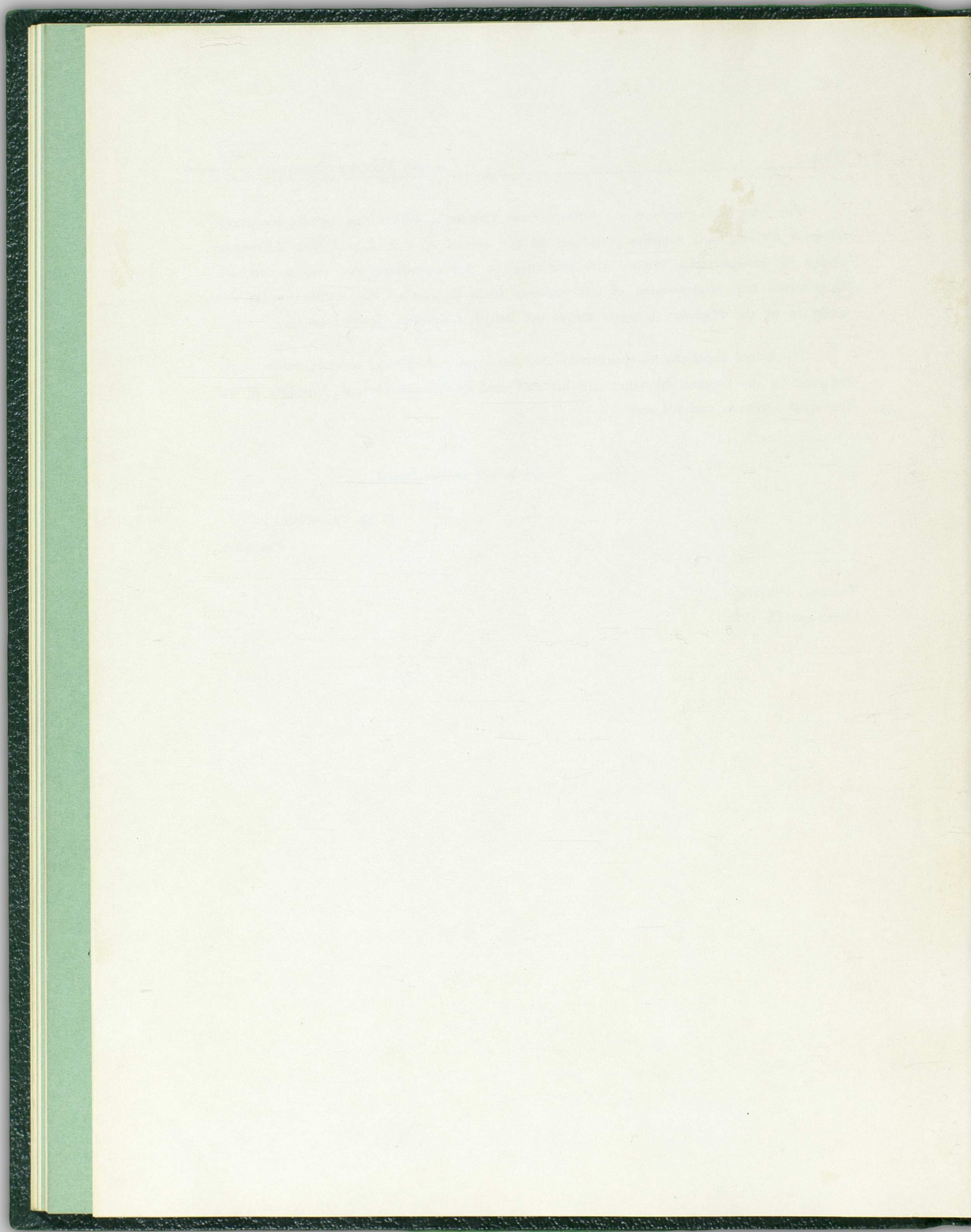
The board expresses its appreciation for the loyal and efficient services rendered the company by the General Manager and his staff and by Mr. N. Gritzuk, Manager of the Transport Division and his staff.

On behalf of the Board,

F. M. CONNELL,

President.

Toronto, Ontario,
December 12, 1956.



MONTREAL, TORONTO, HAMILTON
LONDON, WINNIPEG, REGINA
CALGARY, VANCOUVER

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

Clarkson, Gordon & Co.
Chartered Accountants

15 WELLINGTON STREET WEST

Toronto 1
CANADA

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

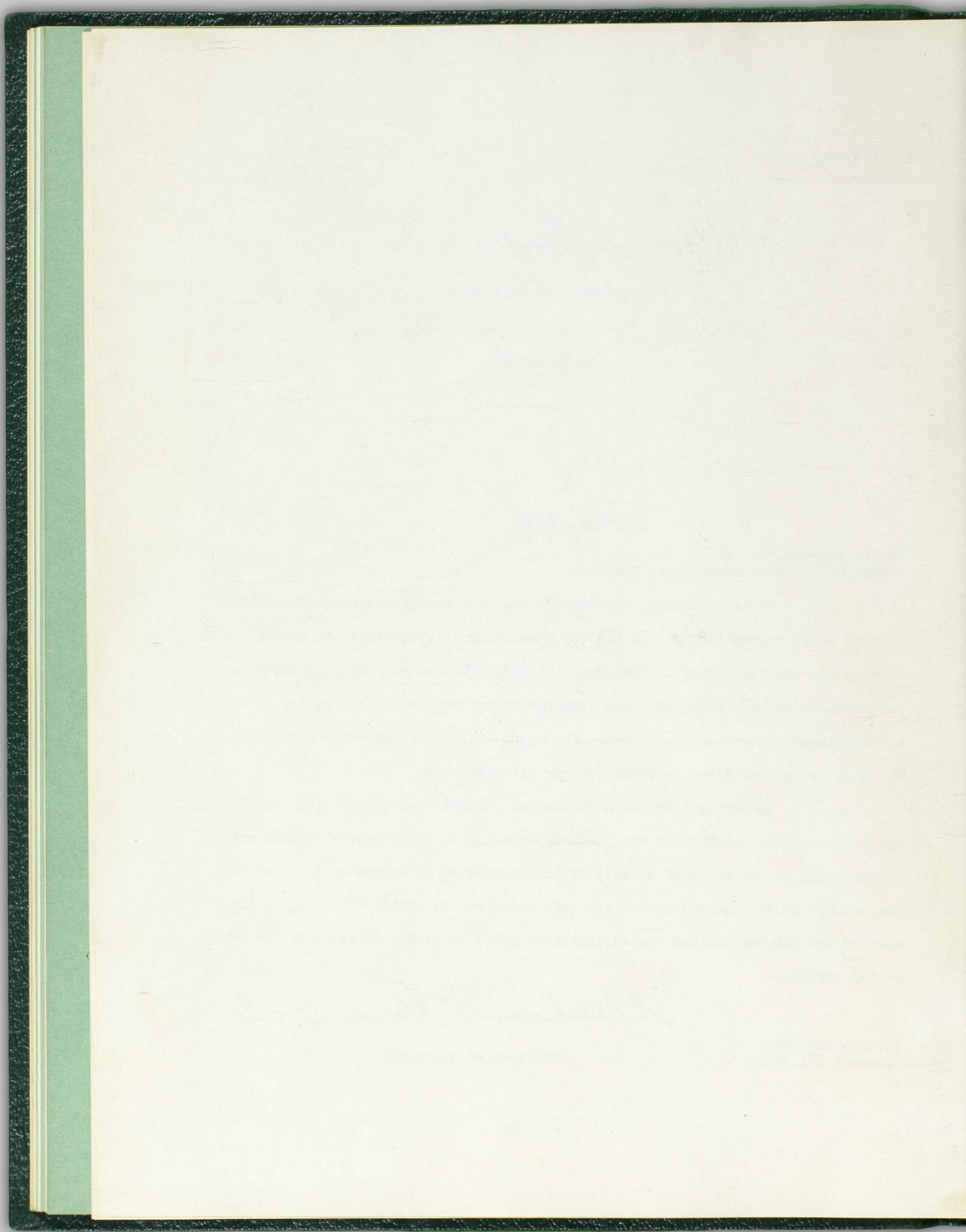
We have examined the balance sheet of Cassiar Asbestos Corporation Limited as at September 30, 1956 and the statements of operations and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

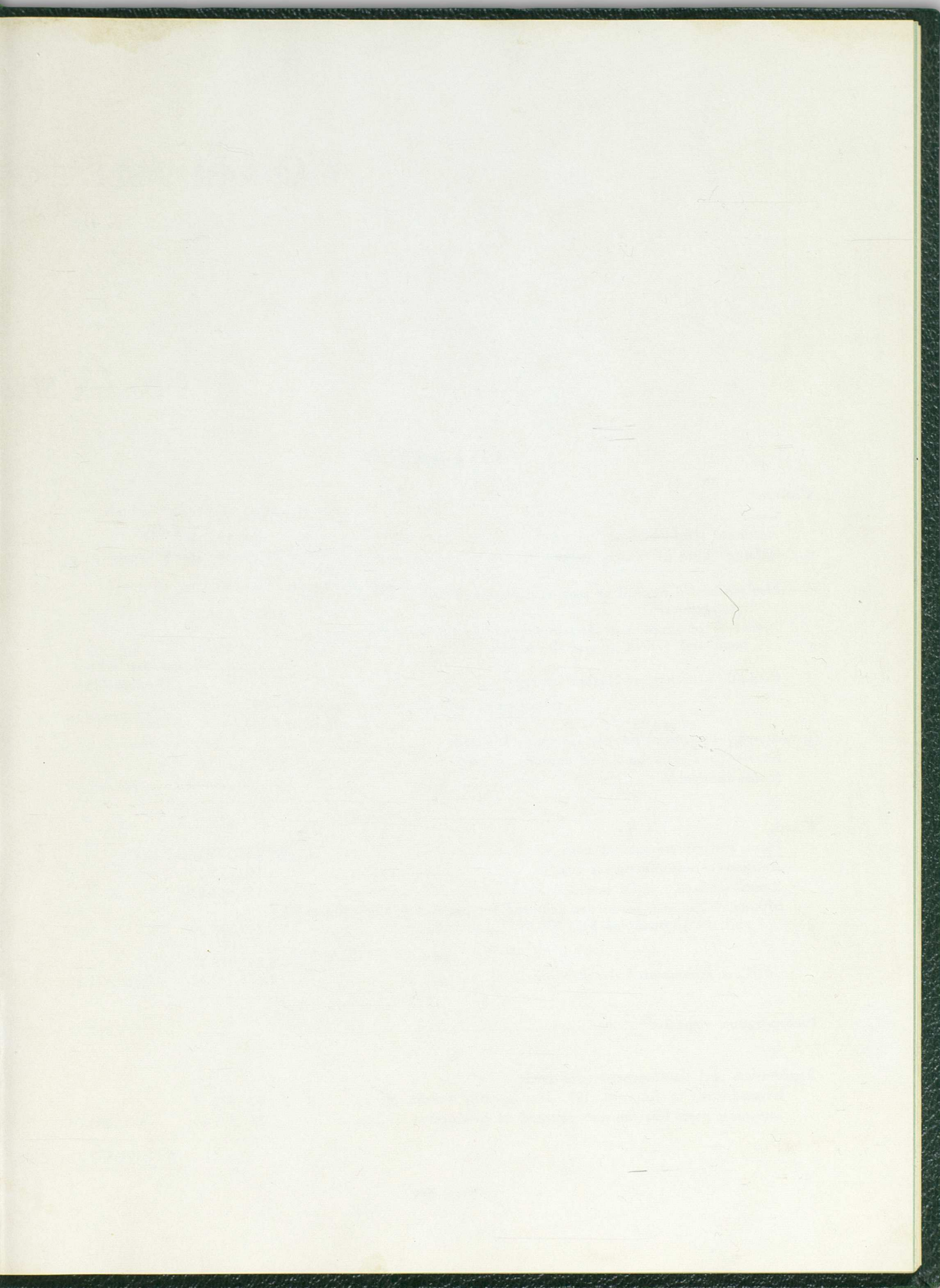
In our opinion the accompanying balance sheet and statements of operations and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of affairs of the company as at September 30, 1956 and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

Clarkson, Gordon & Co.

Toronto, Canada,
December 11, 1956.

Chartered Accountants.





CASSIAR ASBESTOS

(Incorporated)

Balance Sheet

ASSETS

Current:

Cash	\$ 4,153.74	
Accounts receivable	197,688.74	
Asbestos fibre at market value	1,477,893.40	\$ 1,679,735.88
Ore stockpiled at mill at cost as determined and certified by the management	\$ 747,623.88	
Inventory of supplies as determined and certified by the management and valued at laid down cost	655,428.46	1,403,052.34
Prepaid insurance and other charges		46,705.96
		<u>\$ 3,129,494.18</u>

Investment—Territorial Supply Company Limited:

Shares (one-half the issued capital) at cost	\$ 25,000.00	
Notes receivable	100,000.00	125,000.00

Fixed:

Plant and equipment—at cost	\$ 7,252,706.33	
Automotive equipment—at cost	1,190,275.10	
Roads—at cost	158,663.85	
Mining claims and properties acquired for issue of 925,000 shares and the payment of \$152,875.09	245,375.09	
	<u>\$ 8,847,020.37</u>	
Less accumulated depreciation	1,486,547.57	7,360,472.80

Incorporation expenses		4,217.57
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Exploration and development—deferred:

Expenditures to June 30, 1955 less amount written off	\$ 424,472.35	
Stripping costs less amount charged to production	247,721.85	672,194.20
		<u>\$ 11,291,378.75</u>

PORATION LIMITED

ws of Canada)

ember 30, 1956

LIABILITIES

Current:

Bankers' advances (secured)—

Demand loan \$ 263,000.00

Overdraft on current accounts 8,572.36 \$ 271,572.36

Accounts payable and accrued charges 547,471.58

\$ 819,043.94

Capital and surplus:

Capital—

Authorized—4,000,000 shares without nominal or par value

Issued —3,800,000 shares \$ 7,188,744.75

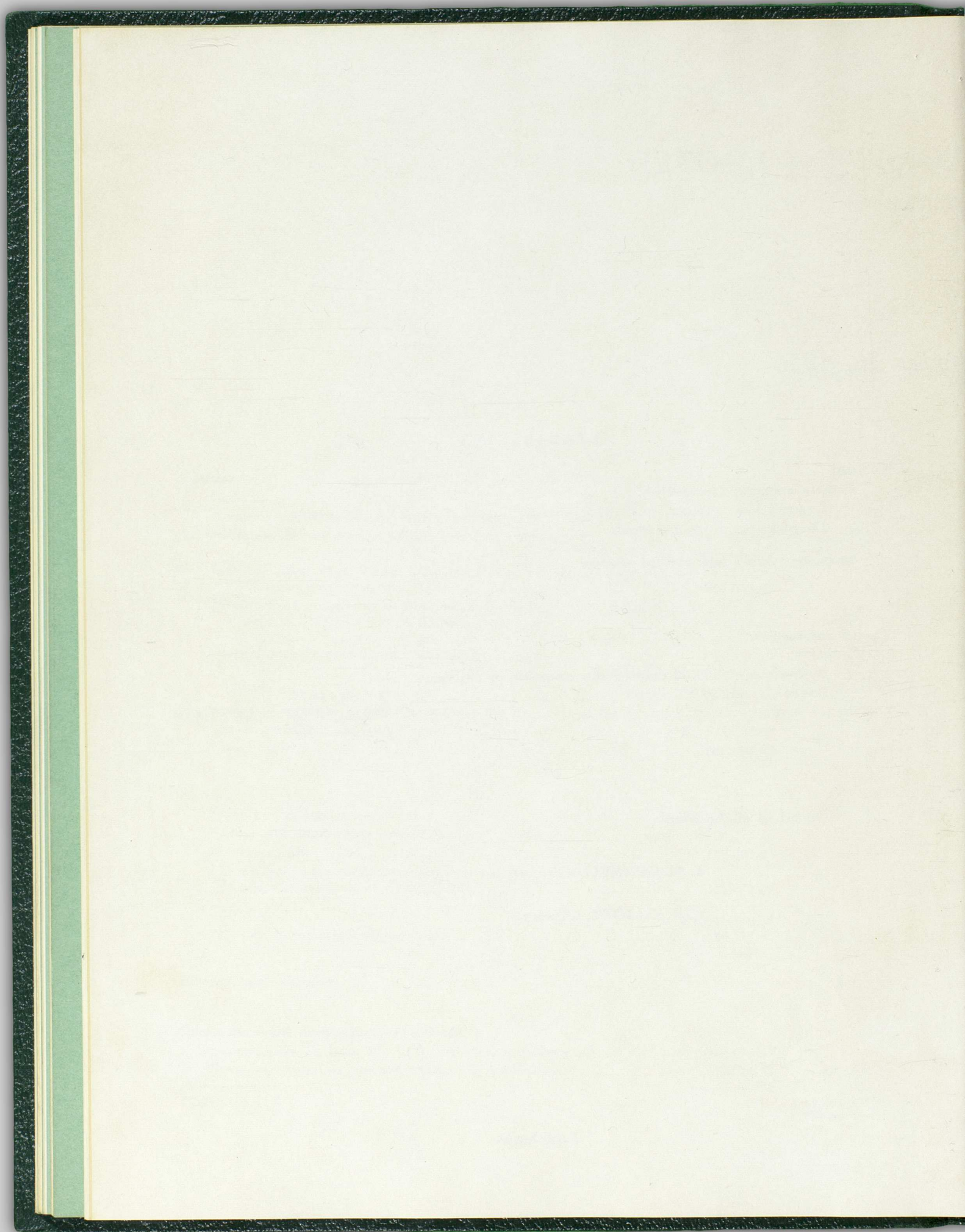
Earned surplus 3,283,590.06 10,472,334.81

On behalf of the Board:

F. M. CONNELL, Director.

C. R. ELLIOTT, Director.

\$ 11,291,378.75



Cassiar Asbestos Corporation Limited

STATEMENTS OF OPERATIONS AND EARNED SURPLUS

For Year Ended September 30, 1956

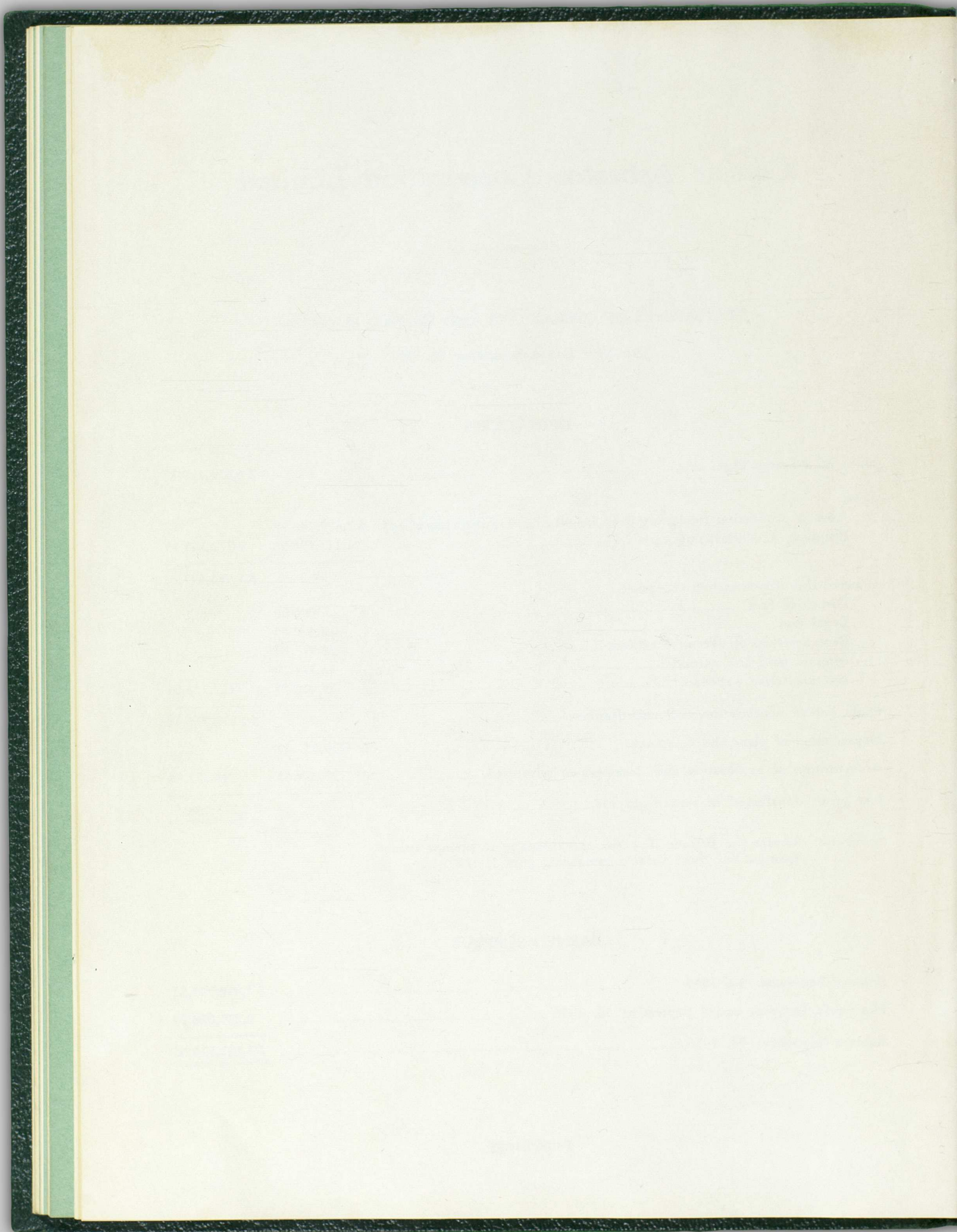
OPERATIONS

Sales of asbestos fibre		\$ 6,854,319.37
Less:		
Cost of production (including \$142,533.60 stripping costs absorbed)	\$ 2,657,746.97	
Shipping and marketing costs	1,113,098.98	3,770,845.95
		<u>\$ 3,083,473.42</u>
General and administrative expenses:		
Directors' fees	\$ 900.00	
Legal fees	2,450.00	
Remuneration of executive officers	20,975.00	
Interest paid less earned	33,371.29	
Administrative expenses	55,016.75	112,713.04
		<u>\$ 2,970,760.38</u>
Profit before depreciation and amortization		\$ 2,970,760.38
Depreciation of plant and equipment	\$ 719,887.49	
Amortization of exploration and development—deferred	25,784.65	745,672.14
		<u>\$ 2,225,088.24</u>
Net profit transferred to earned surplus		<u>\$ 2,225,088.24</u>

Note: Under the Income Tax Act the company is exempt from taxation for three years commencing July 1, 1955.

EARNED SURPLUS

Balance September 30, 1955	\$ 1,058,501.82
Net profit for year ended September 30, 1956	2,225,088.24
Balance September 30, 1956	<u>\$ 3,283,590.06</u>



Cassiar Asbestos Corporation Limited

Report of the General Manager

Mr. F. M. Connell, President,
Cassiar Asbestos Corporation Limited,
Suite 1001, 85 Richmond Street West,
Toronto 1, Ontario.

Dear Sir:

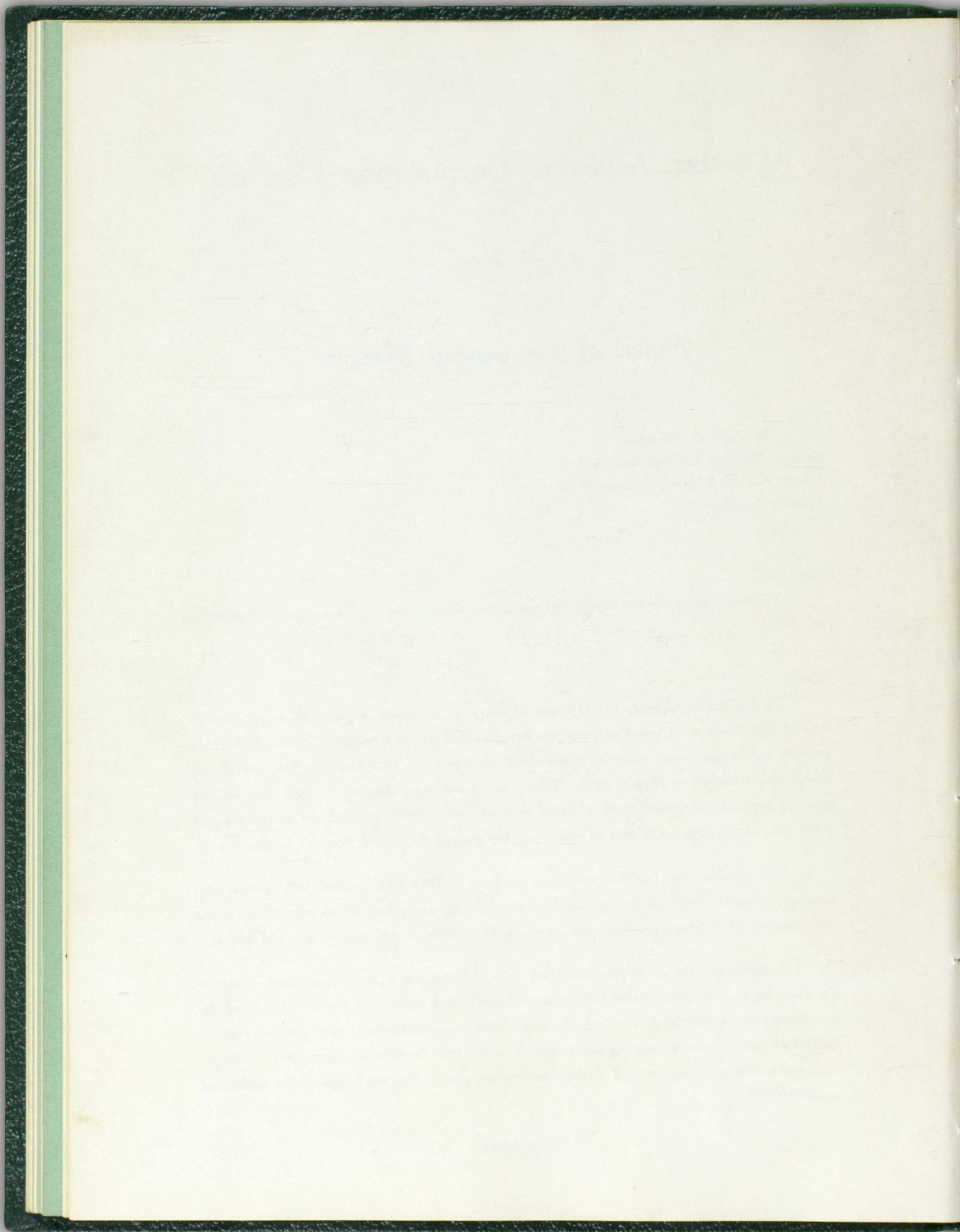
I submit herewith my report on operations during the fiscal year ended September 30, 1956.

Mine

During the fiscal year, 356,334 tons of ore were delivered to the millsite and 406,118 tons of waste rock were removed from the hanging wall of the orebody. Due to favourable weather conditions, waste removal commenced on April 11, 1956 and the first ore of the season was delivered on May 1, 1956. Mining continued until October 28, 1956, and 342,903 tons of ore were delivered and 411,020 tons of waste were removed, or an average of 1,715 tons of ore and 2,055 tons of waste per day during the period April 11 to October 28.

The tramline was put into operation on June 1, 1956 and handled 50% of the total tonnage. Some alterations are required in the loading arrangements to permit use of its full capacity of 100 tons per hour during the cold periods in the early spring and late fall.

Detailed studies of mining methods have resulted in a long-range programme of development for the mine, which will be carried out over a number of years. Because of the topography in the vicinity of the orebody, waste rock from the hanging wall must be removed well in advance of the ore mining operation. In order that there be no interruption to future operations, this work was started during the current year. The total expenditure amounted to \$390,255.



Mining costs have shown satisfactory reductions. As the working areas have been enlarged, a more efficient use of equipment has been possible. Heavier types of drills, trucks and loading equipment can now be used, and should result in a further reduction of costs and increased mining capacity.

Development

The adit was driven a further 293.9 feet. The first 145 feet was in good grade ore, making a total of 668 feet. The remaining 148.9 feet was in serpentine of a marginal grade. The dip of the orebody appears to be about 33°, with the true width 400 feet, excluding the marginal serpentine on the hanging wall side.

A drift was driven along the hanging wall of the orebody. It broke out to the North in the Cirque Valley in good ore. At the close of the mining season the South drift had just come into waste, due we believe, to a change in the strike of the hanging wall. The total length of ore drifted to date is 750 feet. With this information, an open pit programme has been prepared, its first stage being the mining of 9,000,000 tons of ore now considered to be indicated above an arbitrary horizon, 120 feet below the adit level. Further development will be required to define the limits of the orebody on strike and at greater depth before the next stage of the programme can be determined.

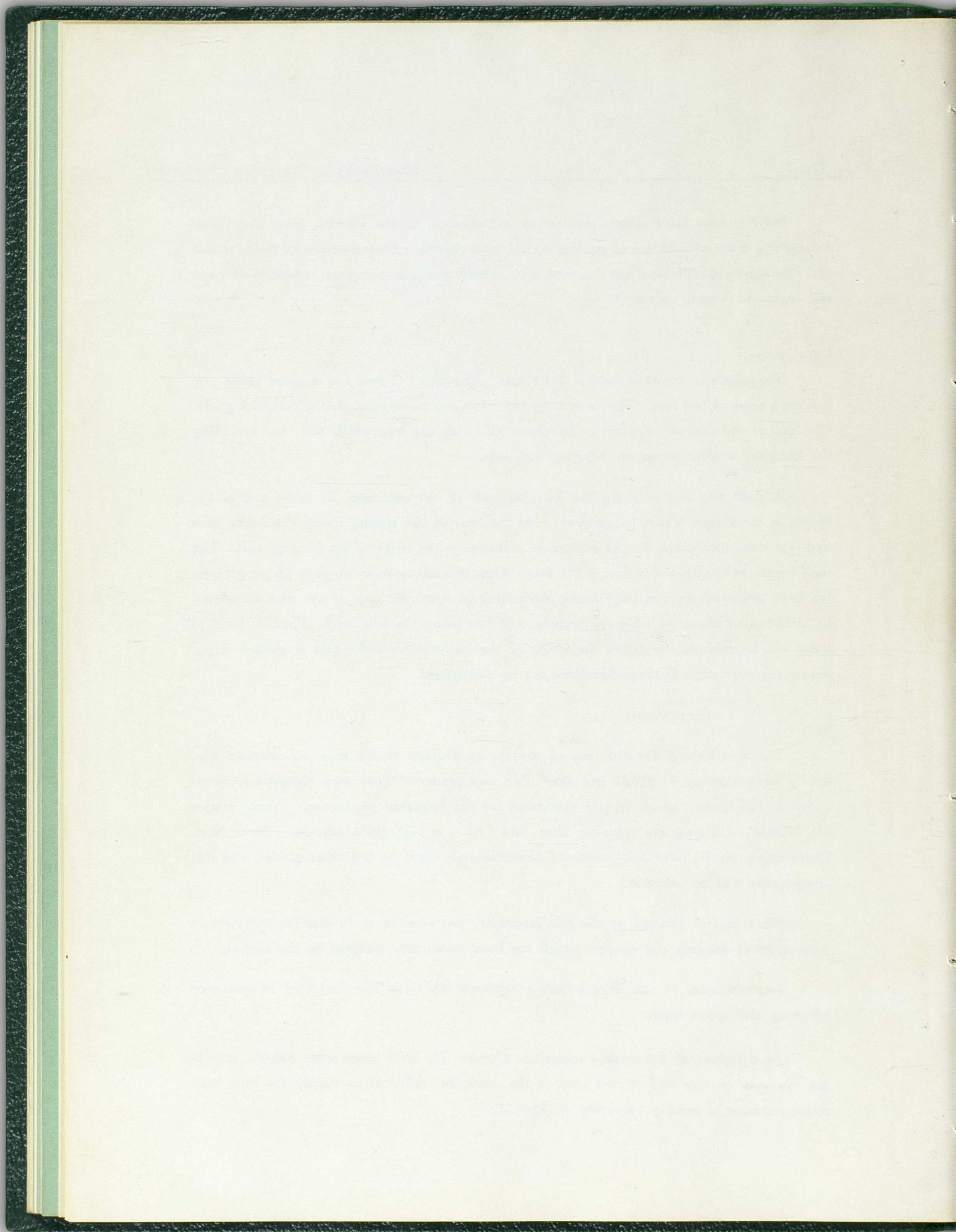
Mill

The mill treated 258,056 tons of ore for an average of 706 tons per calendar day, with a fibre recovery of \$26.80 per ton. Two new grades of fibre were successfully introduced to the market, which largely accounted for the increased production. These grades are "AAA", a high-grade spinning fibre, and "AC", a high-grade asbestos cement fibre. Encouraging results have been obtained from research work on two other grades, and this investigation will be continued.

Fibre control effected by the mill laboratory has resulted in further improvement in uniformity of grading and quality, which has been favourably received by the market.

Improvements in the drying circuit reported last year have resulted in increased efficiency and lower costs.

At the close of the mining season on October 28, 1956, there were 106,851 tons in the dry rock storage and 97,406 tons in the stockpile, sufficient to supply the mill until commencement of mining operations in June, 1957.



Plant and Equipment

An addition to the dry rock storage building was completed, more than doubling its capacity, which is now 115,000 tons.

During the fiscal year, the tramline, summer bunkhouses, hospital and a new mine dry were completed. Work was started on the construction of seven new Pan-Abode staff dwellings.

Two wagon drills, 650 cubic feet of compressor capacity, a new 25" x 36" crusher, two TD-24 tractors and a maintenance garage were provided for the mine.

Survey work on the possible power site was continued, and a preliminary report is expected early in 1957.

Sales

The demand and price for crude, asbestos cement pipe and shingle fibres have been steady throughout the year, and at the year end, fibre awaiting shipment to customers was at a normal level. The outlook for all grades is encouraging.

Acknowledgment

May I take this opportunity of thanking the Board of Directors for the support they have given management throughout the year, and to acknowledge the loyal and efficient services given the company by Mr. N. F. Murray, General Superintendent of the mine, and Mr. N. Gritzuk, Manager of Transport Division, their staffs and employees.

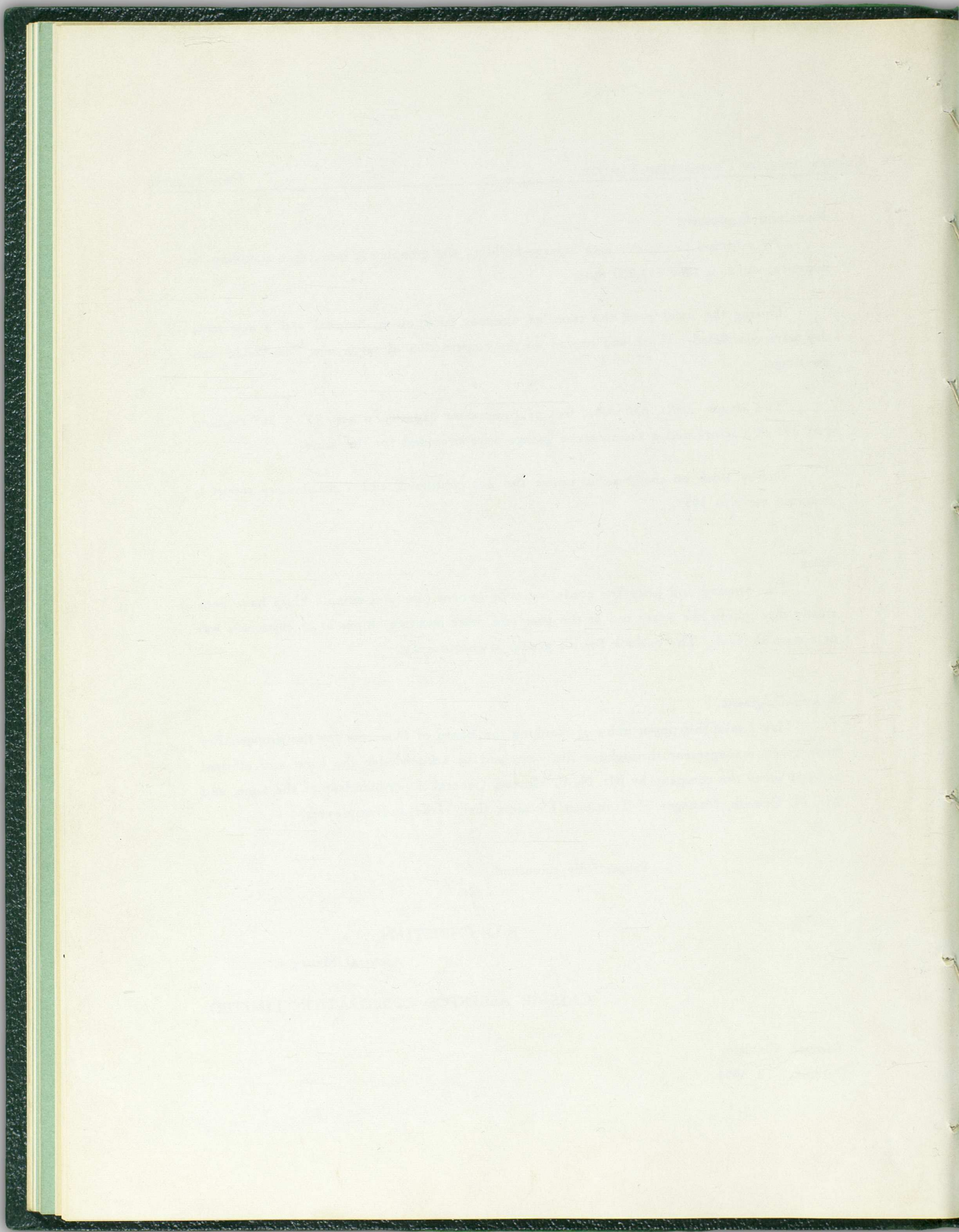
Respectfully submitted,

J. D. CHRISTIAN,

General Manager.

CASSIAR ASBESTOS CORPORATION LIMITED.

Toronto, Ontario,
December 12, 1956.

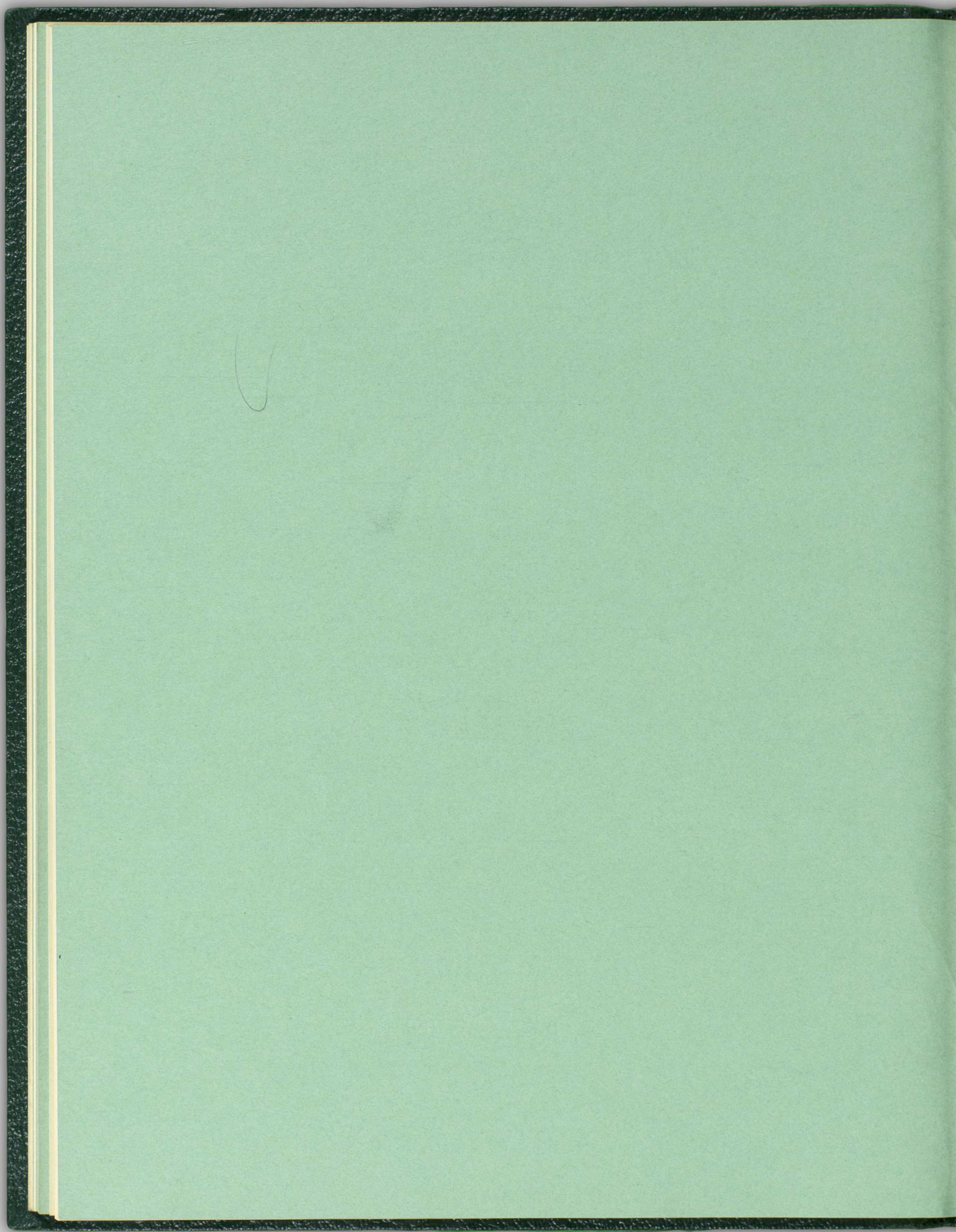


Fourth Annual Report

**CASSIAR ASBESTOS CORPORATION
LIMITED**



As at September 30, 1955



Fourth Annual Report

of

Cassiar Asbestos Corporation Limited

OFFICERS

F. M. CONNELL, O.B.E.	- - - - -	President
W. HAROLD CONNELL	- - - - -	Vice-President
C. R. ELLIOTT, C.A.	- - - - -	Secretary-Treasurer

DIRECTORS

F. M. CONNELL, O.B.E.	- - - - -	Toronto, Ontario
W. HAROLD CONNELL	- - - - -	Spencerville, Ontario
J. M. CONNELL	- - - - -	Toronto, Ontario
K. A. CREERY	- - - - -	Montreal, Quebec
JOHN DRYBROUGH	- - - - -	Winnipeg, Manitoba
C. R. ELLIOTT, C.A.	- - - - -	Toronto, Ontario
J. E. KENNEDY	- - - - -	Toronto, Ontario
G. W. SMITH	- - - - -	Thetford Mines, Quebec
S. R. ZIMMERMAN, JR.	- - - - -	Manheim, Pennsylvania

GENERAL MANAGER

J. D. CHRISTIAN, C.B.E., B.A.Sc.	- - - - -	Toronto, Ontario
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GENERAL SUPERINTENDENT

N. F. MURRAY, B.A.Sc.	- - - - -	Cassiar, British Columbia
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CONSULTING ENGINEER

T. T. TIGERT, B.A.Sc.	- - - - -	Toronto, Ontario
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MANAGER — TRANSPORT DIVISION

N. GRITZUK, B.Sc.	- - - - -	Whitehorse, Yukon Territory
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TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY	- - - - -	Toronto, Ontario
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BANKERS

THE ROYAL BANK OF CANADA

AUDITORS

CLARKSON, GORDON & CO.	- - - - -	Toronto, Ontario
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SOLICITORS

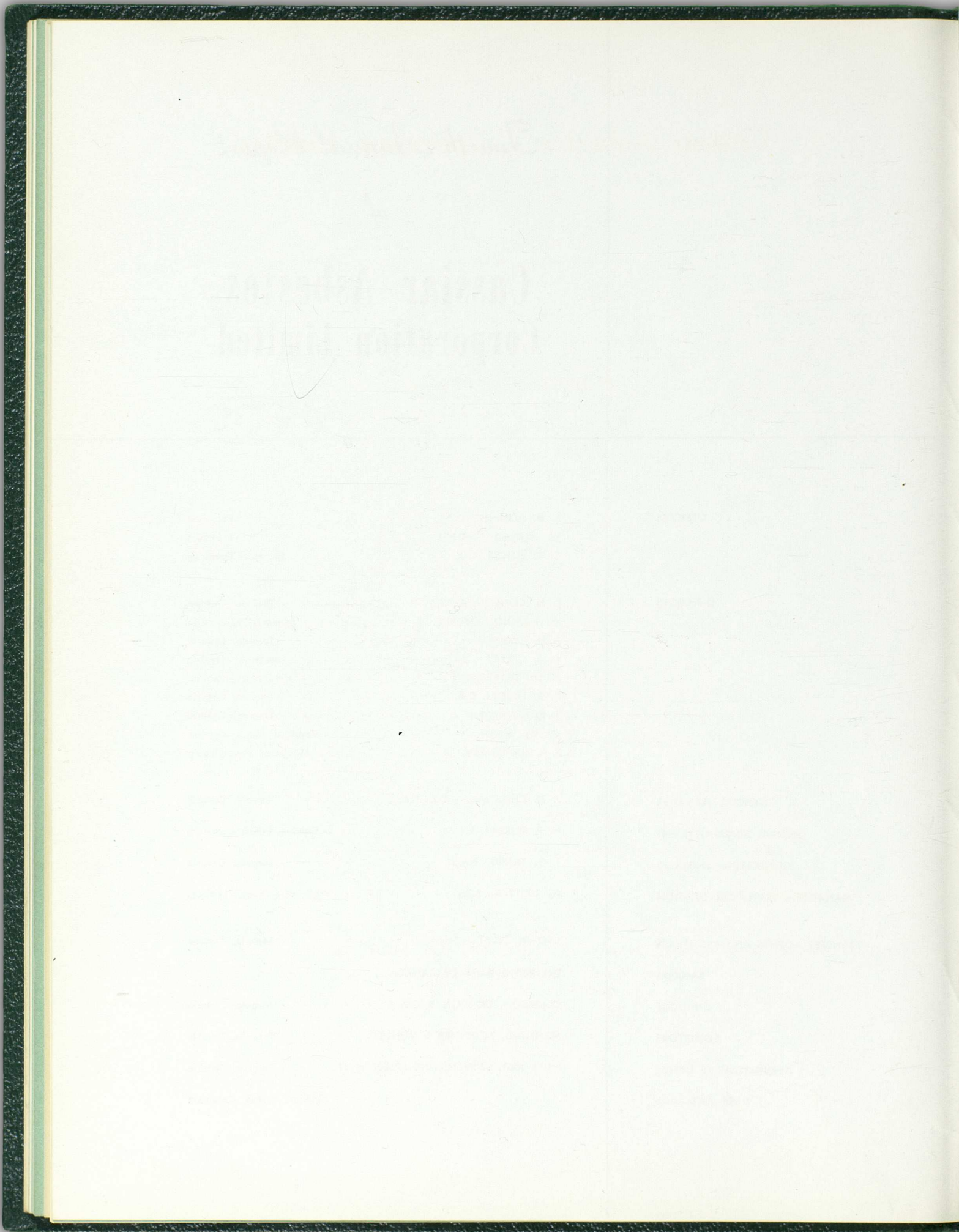
MANNING, MORTIMER & MUNDELL	- - - - -	Toronto, Ontario
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ADMINISTRATIVE OFFICE

SUITE 1001, 85 RICHMOND STREET WEST	- - - - -	Toronto, Ontario
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MINE AND MILL

- - - - -	- - - - -	Cassiar, British Columbia
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Cassiar Asbestos Corporation Limited

Report of Directors

To the Shareholders,
Cassiar Asbestos Corporation Limited.

Your Directors submit herewith the Fourth Annual Report on the operations of your company, including financial statements prepared as at September 30, 1955, your auditors' report thereon and a report by Mr. J. D. Christian, General Manager.

During the year your company earned a net profit of \$686,092.15 after providing depreciation aggregating \$578,898.42. As reported by the General Manager, due to the necessity of milling development ore from the cirque valley, operations during December 1954 to June 1955, inclusive, were unprofitable. Mining the main orebody was resumed July 1, 1955 and recovery of fibre and profit have been very satisfactory since that date. The exemption period under the Income Tax Act has now been established for the three year period July 1, 1955 to June 30, 1958.

During the year, your company expended on account of plant and equipment \$2,121,221.49, and on extension of roads, \$22,554.26. The cost of purchasing land and obtaining patents to mining claims amounted to \$10,535.15.

Funds for capital expenditures were provided in part by the sale of 200,000 shares of capital stock to provide the treasury with \$1,200,000.00 as reported to the last annual meeting of shareholders.

You will note that after the above expenditures of \$2,154,310.90 on account of fixed assets, current assets amounted to \$2,925,853.57 and current liabilities amounted to \$1,986,309.30 or net working assets of \$939,544.27 as compared with net working assets at September 30, 1954 of \$659,146.23.

The British Columbia Government maintained the highway from Cassiar to the Yukon border throughout the year and continued the programme of improvements to the road. Construction of a road to Stewart, B.C. is in progress. When completed, the road will provide access to tide-water at Stewart.

Your company's transport division delivers all fibre from Cassiar to Whitehorse and all supplies from Whitehorse. During the year, combination tanker-trailer vans were put in service to permit carrying the company's oil requirements as a back haul. The division is being operated very efficiently resulting in savings in transportation costs.

Your company received the fullest co-operation from the industrial Minerals Division, Department of Mines and Technical Surveys, Ottawa, the laboratories of Raybestos-Manhattan, Inc., and the technical staff at Bell Asbestos Mines Limited in testing fibre and advising on technical procedures.

The Board expresses its appreciation of the loyal and efficient services rendered the company by the General Manager and his staff.

On behalf of the Board,

F. M. CONNELL,
President.

Toronto, Ontario.
December 17, 1955.

MONTREAL, TORONTO, HAMILTON
LONDON, WINNIPEG, REGINA
CALGARY, VANCOUVER

ARTHUR YOUNG, CLARKSON, GORDON & CO
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

Clarkson, Gordon & Co.
Chartered Accountants

15 WELLINGTON STREET WEST

Toronto 1
CANADA

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the balance sheet of Cassiar Asbestos Corporation Limited as at September 30, 1955 and the statements of operations and earned surplus for the year ended September 30, 1955 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of operations and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of affairs of the company as at September 30, 1955 and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

Clarkson, Gordon & Co.

Toronto, Canada,
December 16, 1955

Chartered Accountants.

CASSIAR ASBESTOS CO.

(Incorporated under the laws of the Province of Ontario)

Balance Sheet —

ASSETS

Current:

Cash	\$	12,178.42	
Accounts receivable		518,119.08	
Asbestos fibre in transit at amount receivable on delivery to customers		1,221,482.50	
			\$ 1,751,780.00
Ore stockpiled at mill at cost as determined and certified by the management	\$	575,684.17	
Inventory of supplies as determined and certified by the management and valued at laid-down cost		557,495.02	
			1,133,179.19
Prepaid insurance and other charges			40,894.38
			\$ 2,925,853.57

Investment — Territorial Supply Company Limited:

Shares (one-half the issued capital) as cost	\$	25,000.00	
Notes receivable		100,000.00	125,000.00

Fixed:

Plant and equipment at cost	\$	6,195,207.97	
Less accumulated depreciation		379,954.04	\$ 5,815,253.93
Automotive equipment at cost	\$	988,961.00	
Less accumulated depreciation		480,276.68	508,684.32
Roads at cost		158,914.39	
			\$ 6,482,852.64
Mining claims and properties acquired for issue of 925,000 shares and the payment of \$152,875.09		245,375.09	6,728,227.73
Incorporation expenses			4,217.57
Exploration and development — deferred			450,257.00
			<u>\$ 10,233,555.87</u>

CORPORATION LIMITED

(Incorporated under the laws of Canada)

September 30, 1955

LIABILITIES

Current:

Bankers advances (secured)		
Demand loan	\$ 1,085,000.00	
Overdraft on current accounts	17,111.74	\$ 1,102,111.74
		<hr/>
Accounts payable and accrued charges		884,197.56
		<hr/>
		\$ 1,986,309.30

Capital and surplus:

Capital

Authorized — 4,000,000 shares without nominal or par value		
Issued — 3,800,000 shares (200,000 shares were issued for \$6 per share cash during the year)	\$ 7,188,744.75	
Earned surplus	1,058,501.82	8,247,246.57
		<hr/>

On behalf of the Board:

F. M. CONNELL, Director.

C. R. ELLIOTT, Director.

\$ 10,233,555.87

Cassiar Asbestos Corporation Limited

STATEMENT OF OPERATIONS For Year Ended September 30, 1955

Sales of asbestos fibre		\$ 4,749,540.61
Less:		
Cost of production	\$ 2,524,401.93	
Shipping and marketing costs	871,391.30	3,395,793.23
		<u>\$ 1,353,747.38</u>
General and administrative expenses —		
Directors' fees	\$ 1,650.00	
Legal fees	2,014.30	
Remuneration of executive officers	19,500.00	
Interest paid less earned	7,706.93	
Administrative expenses	57,885.58	88,756.81
		<u>\$ 1,264,990.57</u>
Net profit before depreciation		578,898.42
Depreciation of plant and equipment		<u>\$ 686,092.15</u>
Net profit transferred to earned surplus		

Note (1) Under the Income Tax Act the company is exempt from taxation for three years commencing July 1, 1955. The above statement includes the operations for the entire year ended September 30, 1955 including a nine months' period prior to the mine coming into commercial production.

(2) No provision has been made during the three months ended September 30, 1955 for amortization of exploration and development deferred as the amount chargeable to such period would not be material.

STATEMENT OF EARNED SURPLUS For Year Ended September 30, 1955

Balance September 30, 1954, being excess of sales over costs and expenses during three months ended September 30, 1954	\$ 513,621.75
Net profit for year ended September 30, 1955	686,092.15
Total	<u>\$ 1,199,713.90</u>
Less portion of above total allocated to period prior to commencement of commercial production — credited to exploration and development	141,212.08
Balance September 30, 1955	<u><u>\$ 1,058,501.82</u></u>

Cassiar Asbestos Corporation Limited

Report of the Manager

Mr. F. M. Connell, President,
Cassiar Asbestos Corporation Limited,
1001 - 85 Richmond Street West,
Toronto 1, Ontario, Canada.

Dear Sir:

I submit herewith my report on operations during the fiscal year ended September 30, 1955.

Mine

Mining operations commenced in the cirque at a point 1,000 feet north and 350 feet below the mine workings on June 6, 1955 and at the mine on June 22, 1955. By September 30, 1955 29,325 tons of cirque development ore and 147,534 tons of mine ore had been delivered to the mill. The main chute was closed down due to weather October 5, 1955 but production from the mine was continued to November 4, 1955 by using a short chute into the cirque valley. Since the fiscal year end 662 tons of cirque ore and 35,903 tons of mine ore were delivered making a total for the 1955 mining season of 213,424 tons.

To make this ore available, 220,435 tons of rock were removed from the hanging wall above the orebody. An additional 91,300 tons of talus and overburden were moved as waste from the cirque valley.

Four additional ore haul trucks, seven RD-304 tanker-van combinations for the fibre and oil haul, two TD-24 tractors, one $\frac{3}{4}$ yard shovel, sixteen hundred cubic feet of compressor capacity, two additional wagon drills and miscellaneous mining equipment were purchased.

Ore Reserves

Development work was directed entirely to the preparation of the orebody for mining and ore reserves are therefore unchanged at 6,766,087 tons.

Mill

The milling operation and resultant operating profits continued at normal levels until the month of November 1954, at which time the mill commenced treating development ore from the cirque valley. The cirque ore was mined when it became apparent late in September 1954 that sufficient mine ore to carry through the winter season could not be brought down the chute. To meet commitments on outstanding orders for fibre and to avoid a temporary shut down, it was decided to move the additional tonnage required from the cirque valley, where a considerable amount of talus was readily available. Time and weather did not permit the proper stripping, bulk sampling and development of the area. In November, when this material first reached the mill, it was found to contain a very high percentage of moisture in the form of contained ice, resulting in a high cost of handling and drying which, combined with a somewhat lower grade, resulted in an operating loss for the period December 1954 to June 1955, when ore from the mine was again available. Since that time the operation has resumed normal levels of recovery and profit.

At the close of the mining season on November 4, 1955 there were 47,350 tons in the dry rock storage and 72,440 tons in the stockpile, sufficient to supply the mill until mining operations begin again in June of 1956. The grade is estimated at normal mine grade.

Some additions and improvements were made in the mill circuit. The furnaces of the three rotary dryers were converted in December from coal to oil. This has greatly improved control in the drying plant and has resulted in increased capacity and lower costs. The mill laboratory was enlarged and is proving to be a vital factor in controlling the quality and uniformity of the fibre.

Aerial Tramway

The major construction work during the summer was the erection of the tramline, which was nearing completion at the year-end. A labour strike at Skagway, which commenced in September and continued until late October, resulted in delaying the arrival of material and equipment required to make the tramway operative. It is expected that about two weeks' work, when conditions permit in the spring, will be required to complete construction.

Construction

Eleven summer bunkhouses were constructed to house approximately 250 men. Twelve new Pan-Abode staff dwellings were erected in the townsite, and a further ten houses were started under the company-assisted employee housing plan.

A new hospital is under construction to replace the temporary unit, which was destroyed by fire during the winter.

A two-room school and separate teacherage is under construction. This will release the Recreation Hall for its original purpose.

Sales

The demand and price for crude, spinning, asbestos cement pipe and shingle fibres have been steady throughout the year, and at the year-end all production was sold. We are investigating the advisability of producing a wider range of these fibres.

The fibre in transit valued at \$1,221,482.50 is abnormally high as a result of the rail strike at Skagway. During the strike, 1,646 tons of fibre were moved to Vancouver by truck to fill the most urgent of our outstanding orders.

Acknowledgements

May I take this opportunity of thanking the Board of Directors for the support they have given management throughout the year, and to acknowledge the loyal and efficient services given the company by Mr. N. F. Murray, General Superintendent at the mine, Mr. N. Gritzuk, Manager of Transport Division, their staffs and employees.

Respectfully submitted,

J. D. CHRISTIAN,

General Manager.

Cassiar Asbestos Corporation Limited.

Toronto, Ontario,
December 17, 1955.

The American Medical Association is a non-profit corporation organized for the purpose of promoting the interests of the medical profession and the public. It is the largest and most influential of the medical organizations in the United States. The Association's primary concern is the advancement of the medical profession and the improvement of the medical service to the public. It does this by promoting the highest standards of medical education, training, and practice, and by advocating for the interests of the medical profession in the legislative and administrative spheres. The Association also provides a wide range of services to its members, including insurance, retirement, and health care plans. It is a member of the United Nations and the World Health Organization.

The Association's activities are carried out through its various departments and committees. These include the Department of Education, the Department of Legislation, the Department of Public Relations, and the Department of Finance. The Association also has a number of committees, including the Committee on Medical Education, the Committee on Medical Practice, and the Committee on Medical Research.

The Association's efforts have been instrumental in the development of the medical profession in the United States. It has played a key role in the establishment of medical schools, the development of medical standards, and the improvement of the medical service to the public. The Association's work is essential to the health and well-being of the American people.

The Association's activities are carried out through its various departments and committees. These include the Department of Education, the Department of Legislation, the Department of Public Relations, and the Department of Finance. The Association also has a number of committees, including the Committee on Medical Education, the Committee on Medical Practice, and the Committee on Medical Research.

The Association's efforts have been instrumental in the development of the medical profession in the United States. It has played a key role in the establishment of medical schools, the development of medical standards, and the improvement of the medical service to the public. The Association's work is essential to the health and well-being of the American people.

Third Annual Report

**CASSIAR ASBESTOS CORPORATION
LIMITED**

As at September 30, 1954



Third Annual Report

of

CASSIAR ASBESTOS CORPORATION LIMITED

DIRECTORS

F. M. CONNELL, O.B.E. - - - - - Toronto, Ontario
W. H. CONNELL - - - - - Spencerville, Ontario
A. B. MORTIMER - - - - - Toronto, Ontario
K. A. CREERY - - - - - Montreal, Quebec
J. M. CONNELL - - - - - Toronto, Ontario
J. E. KENNEDY - - - - - Toronto, Ontario
S. R. ZIMMERMAN, JR. - - - - - Manheim, Pa.
G. W. SMITH - - - - - Thetford Mines, P.Q.
C. R. ELLIOTT - - - - - Toronto, Ontario

OFFICERS

F. M. CONNELL, O.B.E. - - - - - President
W. H. CONNELL - - - - - Vice-President
C. R. ELLIOTT, C.A. - - - - - Secretary-Treasurer
J. D. CHRISTIAN, C.B.E., B.A.Sc. - - - - - General Manager
N. F. MURRAY, B.Sc. - - - - - General Superintendent
T. T. TIGERT, B.A.Sc. - - - - - Consulting Engineer

TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY - - - - - Toronto, Ontario

BANKERS

THE ROYAL BANK OF CANADA

AUDITORS

CLARKSON, GORDON & CO. - - - - - Toronto, Ontario

SOLICITORS

MANNING, MORTIMER, MUNDELL & REID - - - - - Toronto, Ontario

ADMINISTRATIVE OFFICE

SUITE 1001, 85 RICHMOND STREET WEST - - - - - Toronto, Ontario

MINE OFFICE

- - - - - Cassiar, B.C.

THE
CASTLE
CORPORATION LIMITED

Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
Cassiar Asbestos Corporation Limited.

Your directors submit herewith the Third Annual Report on the operations of your Company, including financial statements prepared as at September 30, 1954, your auditors' report thereon and a report by Mr. J. D. Christian, General Manager.

As outlined in the General Manager's Report, operations have proceeded satisfactorily throughout the year. Mill construction was completed and the necessary equipment installed to place the 500-ton milling unit in operation on July 6, 1954. You will note from the statement of operations that results for the first three months of production are very satisfactory and substantiate previous estimates.

During the year your Company expended \$1,526,262.56 on Plant and Equipment including the completion of the 500-ton milling unit and additions to the power plant, aerial tramway, general camp facilities and housing, and commencement of construction of the aerial tramway. Additions to Automotive Equipment, which includes equipment used in mining operations as well as transportation equipment amounted to \$137,479.40. The expenditure of \$17,115.67 added to roads represents the cost of improvements to the mine road, including the extension of the road into the Cirque Valley to service mining operations at that point.

Construction of the aerial tramway was commenced and at the year end the erection of the towers was well advanced. It is expected that the balance of the equipment and materials for the tramway will be delivered by early Spring and construction will be completed during the Summer of 1955. The tramline will have a capacity of 100 tons of ore per hour and it is expected that this installation will materially extend the mining season.

Your Company has acquired a one-half interest in Territorial Supply Company Limited, which provides a supply and service agency for your Company at Whitehorse.

Capital expenditures anticipated during the current year include completion of the aerial tramway, additional mining and transportation equipment and the expansion of employee housing facilities.

The British Columbia Government carried out further improvements to the highway from the Mill to the Alaska Highway.

Your Company received the fullest co-operation from the Industrial Minerals Division, Department of Mines and Technical Surveys, Ottawa; the laboratories of Raybestos-Manhattan, Inc., and the technical staff of Bell Asbestos Mines Limited in testing fibre and advising on technical procedures.

The Board expresses its appreciation of the loyal and efficient services rendered the Company by the General Manager and his staff.

On behalf of the Board,

F. M. CONNELL,

President.

Toronto, Ontario,
December 20, 1954.

MONTREAL, TORONTO, HAMILTON
LONDON, WINNIPEG, REGINA
CALGARY, VANCOUVER

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

Clarkson, Gordon & Co.
Chartered Accountants

15 WELLINGTON STREET WEST

Toronto 1
CANADA

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the balance sheet of Cassiar Asbestos Corporation Limited as at September 30, 1954, the statement of exploration and development for the nine months ended June 30, 1954 and the statement of operations for the three months ended September 30, 1954 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of exploration and development and operations are properly drawn up so as to exhibit a true and correct view of the state of affairs of the company as at September 30, 1954 and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

Clarkson, Gordon & Co.

Toronto, Canada,
December 22, 1954.

Chartered Accountants.

CASSIAR ASBESTOS

(Incorporated under the laws of the Province of Ontario)

Balance Sheet as at December 31, 1954

ASSETS

Current:

Cash	\$	5,450.34	
Accounts receivable		345,163.89	
Asbestos fibre in transit at amount receivable on delivery to customers		525,211.25	
Ore stockpiled at mill at cost as determined and certified by the management		368,674.60	
Inventory of supplies as determined and certified by the management and valued at laid-down cost		513,948.69	
Prepaid insurance and other charges		46,519.16	
			\$ 1,804,967.93

Investment — Territorial Supply Company Limited:

Shares (one-half the issued capital) at cost	\$	25,000.00	
Notes receivable		100,000.00	125,000.00

Fixed:

Plant and equipment at cost	\$	4,371,226.22	
Less accumulated depreciation		75,099.23	\$ 4,296,126.99
Automotive equipment at cost	\$	691,721.26	
Less accumulated depreciation		236,514.70	455,206.56
Roads at cost			136,360.13
			\$ 4,887,693.68
Mining claims and properties acquired for the issue of 925,000 shares and the payment of \$142,339.94		234,839.94	5,122,533.62

Incorporation Expenses		4,217.57
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Exploration and Development — Deferred		591,469.08
--	--	------------

\$ 7,648,188.20

CORPORATION LIMITED

(Incorporated under the laws of Canada)

September 30, 1954

LIABILITIES

Current:

Bankers advances (secured)		
Demand loan	\$ 620,000.00	
Overdraft on current accounts	19,125.84	\$ 639,125.84
Accounts payable and accrued charges		506,695.86
		<u>\$ 1,145,821.70</u>

Capital and Surplus:

Capital

Authorized—4,000,000 shares without nominal or par value		
Issued —3,600,000 shares	\$ 5,988,744.75	
Earned surplus	513,621.75	6,502,366.50

On behalf of the Board:

F. M. CONNELL, Director.

C. R. ELLIOTT, Director.

\$ 7,648,188.20

Cassiar Asbestos Corporation Limited

STATEMENT OF EXPLORATION AND DEVELOPMENT — DEFERRED

For the Period October 1, 1953 to June 30, 1954

Balance October 1, 1953			\$ 488,022.22
Add: (Note 1)			
Sales of asbestos fibre		\$ 1,156,450.08	
Less:			
Cost of production	\$ 1,034,579.38		
Shipping and marketing costs	198,016.93	1,232,596.31	
			\$ 76,146.23
Interest earned and miscellaneous income (net)			15,448.39
			\$ 60,697.84
General and administrative expenses —			
Directors' fees	\$ 1,250.00		
Legal fees	1,575.42		
Remuneration of executive officers	10,875.00		
Administrative expense	29,048.60	42,749.02	103,446.86
Balance June 30, 1954			<u>\$ 591,469.08</u>

STATEMENT OF OPERATIONS

For Three Months Ended September 30, 1954

Sales of asbestos fibre			\$ 1,241,597.99
Less:			
Cost of production	\$ 408,445.67		
Shipping and marketing costs	224,483.02	632,928.69	
			\$ 608,669.30
General and administrative expenses —			
Directors' fees	\$ 0		
Legal fees	\$ 920.00		
Remuneration of executive officers	4,875.00		
Interest	3,388.68		
Administrative expenses	13,863.87	23,047.55	
Net profit before depreciation			\$ 585,621.75
Depreciation of plant and equipment (Note 2)			72,000.00
Net profit transferred to earned surplus (Note 3)			<u>\$ 513,621.75</u>

NOTES ON FINANCIAL STATEMENTS:

- (1) A temporary experimental mill was operated from October 1st, 1953 to April 6th, 1954 and costs of operation during this period were charged to Exploration and Development — Deferred. Costs incurred between April 6th, 1954 and June 30th, 1954 have been allocated between Plant and Exploration and Development — Deferred.
- (2) In addition to the depreciation set out in the Statement of Operations, Depreciation of Automotive and other portable equipment has been charged to Mining and Transportation Costs, in the amount of \$174,496.91 during the year.
- (3) Under the Income Tax Act, the Company is exempt from taxation for three years after coming into production.
- (4) The Company has a commitment outstanding for purchase of an aerial tramway of approximately \$240,000.00.
- (5) No provision has been made for amortization of Exploration and Development — Deferred during the three months ended September 30, 1954 as the amount chargeable to such period would not be material.

Cassiar Asbestos Corporation Limited

Report of Manager

Mr. F. M. Connell, President,
Cassiar Asbestos Corporation Limited,
1001 - 85 Richmond Street West
Toronto, Ontario.

Dear Sir:

I submit herewith my report on operations during the fiscal year ending 30 September, 1954.

PRE-PRODUCTION PERIOD (30 September, 1953 - 1 July, 1954)

Mill

The talus mill continued in operation until 6 April, 1954. During the period 38,433 tons of ore were treated for a recovery of 1,960 tons of 3-K (5.1%), and 1,474 tons of 4-K (3.8%). In addition, 15.8 tons of Number 1 Crude and 1.5 tons of Number 2 Crude were shipped. Customer reaction to this production was favourable, and the experience gained was a major factor in the design of the new mill, which has resulted in improved quality in both grades of fibre produced.

The conversion from the talus mill to the 500 ton circuit involved an extensive re-arrangement of the equipment in the mill. This was completed on schedule and production from mined ore commenced on the 6th of July.

The staff and working force were maintained at a minimum during the winter months.

PRODUCTION PERIOD (1 July - 30 September, 1954)

Mill

During this period 41,983 tons of ore were milled for a recovery of 2,047 tons of 3-K (4.9%) and 1,603 tons of 4-K (3.8%). Production of Number 1 Crude amounted to 27 tons.

It will be noted that the recovery is substantially the same as in the pre-production period. This is largely accounted for by the improved quality of the fibre, and by the comparatively low recovery obtained during the tune-up period.

Minor changes and improvement in the mill were made during the summer. A well equipped laboratory has been set up to control the quality of the fibre produced. The selection and training of mill crews is progressing satisfactorily.

Mine

Some changes were incorporated in the design of the chute, and the first ore from the Hill was moved to the mill on the 6th of July. To the end of the fiscal year 75,663 tons were mined, and a further 24,498 tons were mined in the Cirque Valley, making a total production for the period of 100,161 tons.

The major development work consisted of the removal of waste from the hanging wall to permit expansion of the working places on the Hill.

Aerial Tramway

The erection of the aerial tramway was started and 80% of the towers were placed. Completion is scheduled for the fall of 1955.

Ore Reserves

No alterations have been made to the ore reserves calculations, which remain at approximately 7,000,000 tons, which does not include the ore in the Cirque Valley referred to below.

A total of 64,202 tons has been mined from seven benches in the Cirque Valley. The working faces are located approximately 2,000 feet north of the northern limit of the calculated ore reserves, and 600 feet below the highest point at which the ore outcrops. The intervening area is largely covered with asbestos talus. Sufficient development work has not been done to determine the extent of the ore in this area, but a very substantial tonnage is indicated. Mining and development in this area is planned for the current year.

Construction

The main effort for the year was confined to the mill and tramline and to the completion of the work undertaken last year.

The power plant was enlarged to 1,400 horsepower by the installation of a fourth unit. This will provide sufficient power to meet requirements for the foreseeable future.

The former manager's residence was converted into a four bed hospital, complete with X-ray and operating equipment, and a new residence has been built for the General Superintendent.

A company assisted employee housing plan was instituted, and has proven very successful. Fourteen homes have been erected under this program.

Sales

The Company's output of asbestos fibre during the year has been completely sold, and advance orders now in hand indicate a good demand for the Company's products for the current year.

Roads

The Company, acting as agent for the British Columbia Government, made further improvements to the road to Watson Lake. This road is now in good condition and is suitable for semi-trailer movement.

RECENT DEVELOPMENTS

Mining operations were completed for the season on the 22nd of November. As of the 30th of November there were 29,020 tons in the Dry Rock Storage Building, and 52,548

tons in the outside stockpile. This is sufficient to provide an average mill feed of 450 tons per day until 1 June, 1955.

The total production from the mine for the mining season amounted to 140,552 tons.

Local 927 of the United Mine, Mill and Smelter's Union was certified as the Bargaining Agent for the employees at Cassiar on the 27th of January, 1954. Negotiations have been carried on at intervals since that date, but no contract has as yet been signed.

During the current year the aerial tramway will be completed, and production for the year is planned on a basis of milling 500 tons of ore per day.

ACKNOWLEDGMENTS

May I take this opportunity of thanking the Board of Directors for the support they have given management throughout the year, and to acknowledge the loyal and efficient services given the company by Mr. N. F. Murray, General Superintendent, his staff and the employees.

Respectfully submitted,

J. D. CHRISTIAN,
General Manager.

Toronto, Ontario,
December 10th, 1954.

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ACKNOWLEDGMENTS

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APPENDIX

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Cassiar Asbestos Corporation Limited

SUITE 1001 FEDERAL BUILDING
85 RICHMOND STREET WEST
TORONTO 1, CANADA

January 23rd, 1953.

To the Shareholders,
Cassiar Asbestos Corporation Limited:

On January 16th, 1953 the Shareholders in a Special General Meeting ratified By-law No. 87 increasing the authorized capital from 2,500,000 shares without nominal or par value to 4,000,000 shares without nominal or par value. Since that date and pursuant to the said By-law, Supplementary Letters Patent confirming the said increase have been issued by your Company. Your Directors have resolved to offer to Shareholders of record at close of business on January 23rd, 1953, the Right to subscribe for one further share at \$4.00 per share for each five shares then held. An assignable share purchase Warrant is enclosed herewith. The Right to subscribe for further shares will expire at 4:00 p.m. Eastern Standard Time on Monday, March 2nd, 1953.

The shares of your Company are not registered under the United States "Security Act of 1933" and the amendments thereto. The above-mentioned offering of Rights to subscribe for further shares is being made in Canada but not in the United States of America, and is not, and under no circumstances is to be, construed as an offering of any shares for sale in the United States of America or the Territories or possessions thereof or as an offering to any resident of the United States of America or as a solicitation therein of an offer therein to buy any of the said shares. Your Company will not accept subscriptions from any subscriber or his agent who appears to be or who your Company has reason to believe is a resident of the United States of America or of a Territory or possession thereof.

Your Company is informed that there is no objection to a United States Shareholder selling in Canada his Rights to subscribe. The share purchase warrants will be traded on The Toronto Stock Exchange.

By Order of the Board,

F. M. CONNELL,
President.

Second Annual Report

**CASSIAR ASBESTOS CORPORATION
LIMITED**



As at September 30, 1953



Second Annual Report

of

CASSIAR ASBESTOS CORPORATION LIMITED

DIRECTORS

F. M. CONNELL, O.B.E.	- - - - -	Toronto, Ontario
W. H. CONNELL	- - - - -	Spencerville, Ontario
A. B. MORTIMER	- - - - -	Toronto, Ontario
K. A. CREERY	- - - - -	Montreal, Quebec
J. M. CONNELL	- - - - -	Toronto, Ontario
J. E. KENNEDY	- - - - -	Toronto, Ontario
S. R. ZIMMERMAN, JR.	- - - - -	Manheim, Pa.
G. W. SMITH	- - - - -	Thetford Mines, P.Q.
C. R. ELLIOTT	- - - - -	Toronto, Ontario

OFFICERS

F. M. CONNELL, O.B.E.	- - - - -	President
W. H. CONNELL	- - - - -	Vice-President
C. R. ELLIOTT, C.A.	- - - - -	Secretary-Treasurer
J. D. CHRISTIAN, C.B.E., B.A.Sc.	- - - - -	Consulting Engineer
ROBERT DEVLIN, B.A.Sc.	- - - - -	Mine Manager

TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY	- - - - -	Toronto, Ontario
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BANKERS

THE ROYAL BANK OF CANADA

AUDITORS

CLARKSON, GORDON & CO.	- - - - -	Toronto, Ontario
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ADMINISTRATIVE OFFICE

SUITE 1001, 85 RICHMOND STREET WEST	- -	Toronto, Ontario
-------------------------------------	-----	------------------

MINE OFFICE

- - - - -	- -	Cassiar, B.C.
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Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
Cassiar Asbestos Corporation Limited.

Your directors submit herewith the Second Annual Report on the operations of your Company, including financial statements prepared as at September 30, 1953, your auditors' report thereon and a report by Mr. Robert Devlin, Mine Manager.

At the last General Meeting of the Shareholders, By-law No. 87, increasing the capital of the Company from 2,500,000 shares without nominal or par value to 4,000,000 shares without nominal or par value, by the creation and addition of 1,500,000 shares without nominal or par value, was duly ratified and immediately thereafter the plan outlined in the last Annual Report, whereby Shareholders were given rights to purchase 500,000 shares at the price of \$4.00 per share, was carried out and subscriptions were received for 500,000 shares of the capital stock of the Company at this price. In addition the arrangements made to sell 600,000 shares to Bell Asbestos Mines Limited, a member of Messrs. Turner-Newall Limited group, and to Raybestos-Manhattan, Inc. at \$4.00 per share, were completed. As shown on the Balance Sheet, a total of \$4,400,000.00 was paid into the Treasury of the Company, being the issue price of 1,100,000 shares of the capital stock issued during the year. These funds are being utilized to put into effect the plan for placing the Company in production during 1954, at a rate of 500 tons per day, as outlined in Mr. J. D. Christian's Report submitted in the First Annual Report of the Company.

As outlined in the Manager's Report, construction has proceeded satisfactorily throughout the past summer and costs have been maintained within the estimates. It is expected that mill construction will be completed and the necessary equipment installed in sufficient time to place the 500-ton milling unit in operation by June, 1954, at the commencement of the mining season. The mill has been designed to permit expansion to a larger capacity with a relatively small additional capital expenditure.

An aerial tramway, to provide transportation between the mine and the mill, has been placed on order and it is expected that this will be in operation by the end of September, 1954. The tramline will have a capacity of 100 tons of ore per hour and it is expected that this installation will materially extend the effective mining season.

Your attention is directed to the report on the Development, Ore Reserves, Transportation, Construction and Townsite, submitted by the Mine Manager, Mr. Robert Devlin. You will note under "Development" that the adit was advanced a further 272 feet. This makes a total width of continuous ore in the adit of 523 feet with good ore in the face. Ore reserves have been increased from 5,892,000 tons to 7,232,625 tons with a value of

approximately \$30.00 per ton of 3K and 4K fibre. At the presently planned rate of production of 550 tons per day, this is sufficient to supply the mill for forty years. The consumers' reaction to the Company's product has been most favourable.

Bell Asbestos Mines Limited have been appointed Sales Agents for your Company and have made available to your Company the services of the sales organization of itself and its associates throughout the world.

During the year, your Company has received the fullest co-operation of the Industrial Minerals Division, Department of Mines and Technical Surveys, Ottawa; the laboratories of Raybestos-Manhattan, Inc. and the technical staff of Bell Asbestos Mines Limited in testing fibre and advising on technical procedures.

The road from the mine and mill site to the Alcan Highway has been rebuilt, the major cost of which has been borne by the Government of British Columbia. Your Company has contributed to the cost of the mine roads; built a bridge across the Blue River; and has constructed two miles of the main road to the Alcan Highway where it traverses Yukon Territory.

Your Company and United Keno Hill Mines Limited have, since the end of the Company's fiscal year, negotiated a lease of the wharf known as the West Indies Wharf, together with adjacent buildings, situated on Vancouver Harbour and owned by the National Harbour Board. The wharf gives excellent facilities for handling ocean shipping and has good railway connections for inland shipping. Suitable storage for the Company's products is available at this site and will greatly facilitate compliance with customers' shipping requirements.

The Board expresses its appreciation of the loyal and efficient services rendered the Company by the Manager and his staff.

On behalf of the Board,

F. M. CONNELL,

President.

MONTREAL, TORONTO, HAMILTON
LONDON, WINNIPEG, REGINA
CALGARY, VANCOUVER

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

Clarkson, Gordon & Co.
Chartered Accountants

15 WELLINGTON STREET WEST

Toronto 1
CANADA

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the balance sheet of Cassiar Asbestos Corporation Limited as at September 30, 1953 and the statement of exploration and development for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statement of exploration and development are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at September 30, 1953 and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

Clarkson, Gordon & Co.

Toronto, Canada,
December 11, 1953.

Chartered Accountants.

Cassiar Asbestos Corporation Limited

(Incorporated under The Companies Act, Canada)

Balance Sheet as at September 30, 1953

ASSETS

Current:

Cash on hand and in banks	\$	94,570.80
Investments in Government of Canada and other short term bonds and notes — at cost (market value \$1,241,361)		1,237,611.30
Accounts receivable		87,672.68
Asbestos fibre in transit at value realized upon delivery to customers		185,618.21
Ore stockpiled at mine at cost as determined and certified by the management		156,119.74
Prepaid insurance and other charges		31,636.29

\$ 1,793,229.02

Inventory of construction materials and supplies as determined and
certified by the management and valued at laid-down cost

484,198.30

Fixed:

Plant and equipment at cost	\$ 2,844,963.66
Automotive equipment at cost	\$554,241.86
Less accumulated depreciation	66,146.64
	488,095.22
Roads at cost	119,244.46

\$ 3,452,303.34

Mining claims and properties acquired for the issue of 925,000 shares and the payment of \$141,559.20	234,059.20	3,686,362.54
--	------------	--------------

Incorporation expenses	4,217.57
Cost of exploration and development — deferred	488,022.22

\$ 6,456,029.65

LIABILITIES

Current:

Accounts payable and accrued charges	\$ 467,284.90
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Capital:

Authorized—4,000,000 shares without nominal or par value

Issued	— 925,000 shares for mineral claims	\$ 92,500.00	
	2,675,000 shares for cash (including 1,100,000 shares issued during the year for \$4,400,000)	5,896,244.75	5,988,744.75

3,600,000

\$ 6,456,029.65

On behalf of the Board:

F. M. CONNELL, Director.

K. A. CREERY, Director.

Cassiar Asbestos Corporation Limited

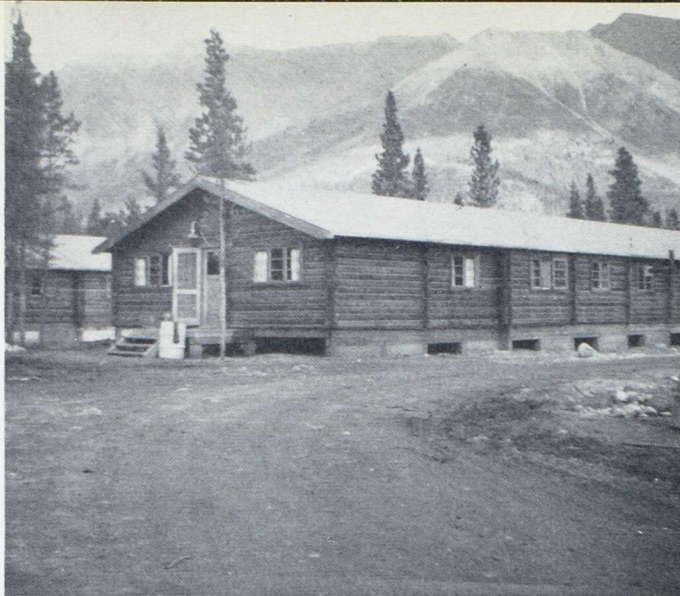
STATEMENT OF EXPLORATION AND DEVELOPMENT — DEFERRED FOR THE YEAR ENDED SEPTEMBER 30, 1953

Balance October 1, 1952				\$337,607.74
Add:				
Exploration, development and other preproduction expenditures		\$291,849.04		
General and administrative expenses—				
Directors' fees	\$	850.00		
Legal fees		1,825.00		
Remuneration of executive officers		4,125.00		
Administrative expenses		21,500.81	28,300.81	320,149.85
				<u>\$657,757.59</u>
Deduct:				
Sales of fibre (note 1)		\$652,239.48		
Less:				
Cost of production	\$395,726.02			
Shipping and marketing costs	105,235.08	500,961.10		
				<u>\$151,278.38</u>
Interest earned and miscellaneous income (net)		18,456.99	169,735.37	
Balance September 30, 1953				<u><u>\$488,022.22</u></u>

NOTES:

- (1) During the year, in addition to the major construction, a section of the mill building was utilized to mill ore for experimental purposes and to obtain sufficient fibre for test purposes in customers' plants. This operation produced fibre to a value of \$652,239.48.
- (2) No provision has been made in the accompanying statements for depreciation of plant and equipment. Provision for depreciation of \$66,146.64 has been made on transport vehicles.

Single Men's Residence
"Pan-Abode" Construction.

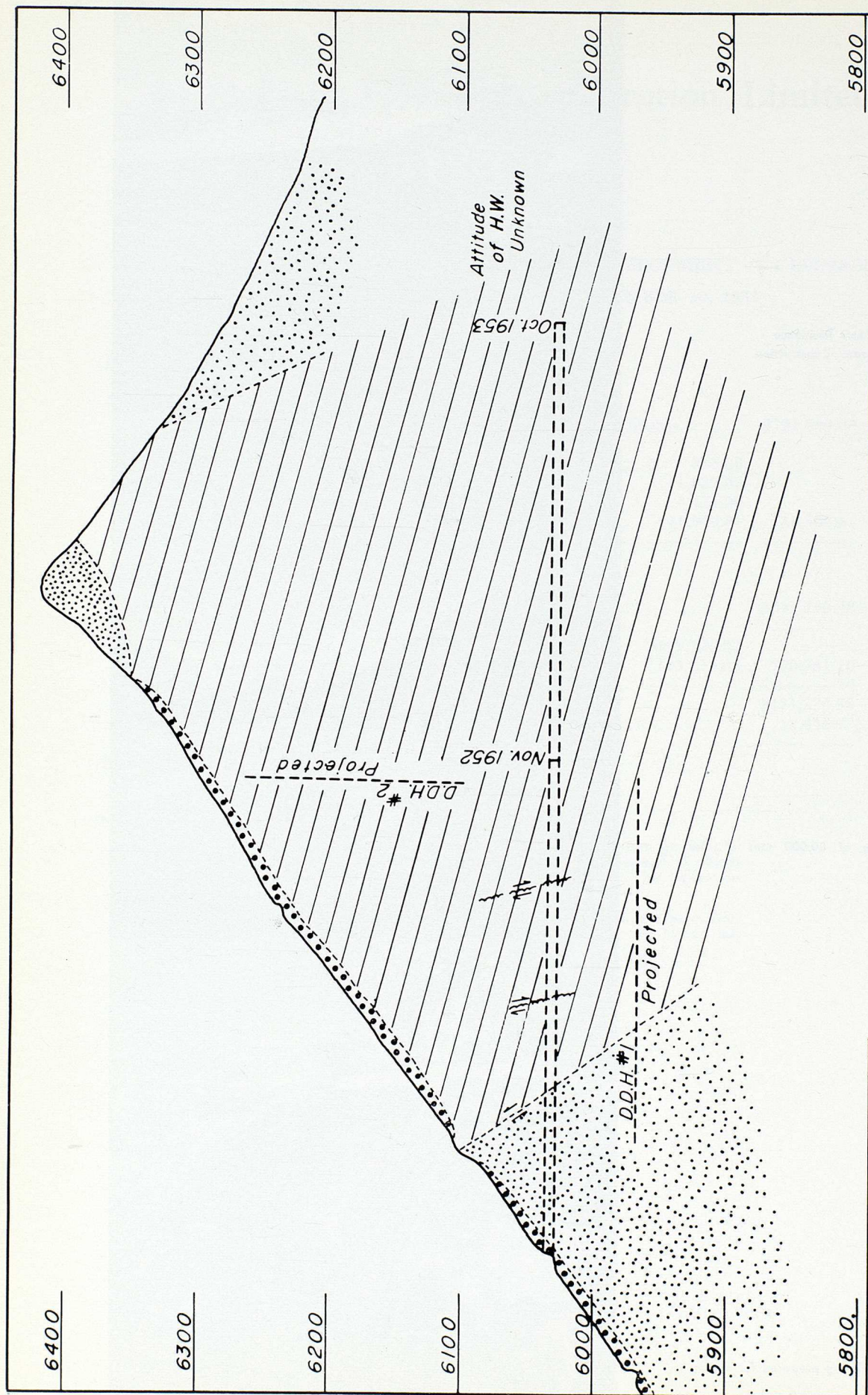


Stockpile of 80,000 tons of Ore
at Mill.



Benchies being prepared for mining.





Cassiar Asbestos Corporation Limited

Report of Manager

Mr. F. M. Connell, President,
Cassiar Asbestos Corporation Limited,
1001 - 85 Richmond Street West,
TORONTO 1, Ontario.

Dear Sir:

Following is my report on operations during the fiscal year ending September 30, 1953. In addition to the construction program, the operations for the year have been directed toward the preparation of the mine for full-scale production and to experimental and development work in milling procedures pending the completion of the full mill circuit which will be in operation early next summer. An experimental mill was completed in January and 3,552 tons of the ore that had been stockpiled last year at the mill site were milled to recover 221.4 tons 3K fibre, 74.2 tons 4K fibre and 39.1 tons No. 1 and No. 2 crude fibre, all of which was shipped to customers for spinning and other tests. On the strength of these results, some additional equipment was added, and this referred to as the "talus mill", was placed in operation on July 1, 1953 and 22,486 tons of ore have been milled since to produce 766 tons 3K fibre and 783 tons 4K fibre.

It should be pointed out that this temporary talus mill operated without any crushing equipment and was capable of only a partial recovery of the fibre.

The fibre that has been produced since July 1st has reached the market and consumer reaction to this early production has been most favourable. As will be noted in the paragraph covering construction, plans are well ahead for the completion of the 500 ton mill, and with the ore available in the present stockpile, this mill should be tuned up and ready for commercial production with the opening of the mining season next July.

Development

Dr. Wm. V. Smitheringale's geological report, which appeared in the 1952 Annual report, covered developments in the adit to the close of operations in November of last year. At that time, 251 ft. of continuous ore had been encountered. Up to October 21, 1953 (the closing date for operations on the hill for the 1953 season) the adit was advanced a further 272 ft., giving a total width of continuous ore of 523 ft. The hanging wall had not been reached, and based on Dr. Smitheringale's observations, there still remains a further 50 ft. or more to the contact.

From visual readings, the grade appears to be considerably higher than last year's average of 7% of 3K and 5% of 4K.

Preparation of working places for full scale open pit mining next year was commenced at the beginning of the 1953 mining season and 22,857 tons of ore were broken. The rock was found to break easily and economically, although its high fibre content retarded drilling.

In addition to the ore broken, 50,400 tons of talus were removed from the benches and were trucked to the stockpile at the mill. A feature of removing this talus was the sun's action in freeing frozen ore in unexpected quantities.

All the ore moved in 1953, with the exception of crude, was delivered to an ore bin at the base of the hill by means of a flight conveyor system, operating in a semi-circular steel chute 2,602.2 ft. in length, and at an average angle of 32 degrees between elevations of 6,184 and 4,850 ft. The ore was moved from the working place to the head of the chute using two bulldozers and one Drot bullclam shovel mounted on International Harvester crawler tractors. Dump trucks delivered the ore to a stockpile adjacent to the mill site, 3.4 miles distant. To the end of the year 73,257 tons of ore had been trucked to the stockpile at the mill.

Orders have been placed for an aerial tramway, a distance of 14,950 ft. in length from the mine site to the mill. This will have a capacity of 100 tons per hour. It is hoped that this equipment will be delivered and installed by September 30th, next year, allowing us to extend our mining season.

Ore Reserves

Ore exposed in the adit and in open pit work provide grounds for classifying appreciable tonnages as positive ore. Conservative extensions to these positive blocks provide a means of measuring probable ore, whereas surface exposures and limited drilling support estimates of reasonably assured ore. It must be emphasized that the economic limits of the deposit are not delimited. True width may well average 450 ft. over a length of at least 1,200 ft., and asbestos bearing outcrops have been mapped along a length of approximately 3,000 ft. For these reasons the estimate tabulated below is indicative only of what may be expected as a result of the limited exploratory work achieved to date.

Positive ore	3,139,055 tons
Probable Ore	2,748,930 tons
Reasonably assured Ore	1,144,640 tons
	<hr/>
	7,032,625 tons

Transportation

During the year, the fleet of vehicles was increased to include six bulldozers, two overhead loaders, two road graders, ten heavy-duty ore trucks, six trailer tractors with seven 34-foot semi-trailer vans, eight second-hand covered trucks, a small bus, a car, and six miscellaneous small trucks. The company's transport division now provides transportation for fibre from the mill to Whitehorse, with a return haul of coal and other supplies.

The Government of British Columbia undertook major reconstruction of the road from the mill-site to the B.C. border and your company rebuilt the remaining two miles to the junction with the Alcan Highway near Watson Lake. The company constructed a 160 ft. Bailey bridge across the Blue River and contributed to the general road program.

Construction

(1) Mill

As noted above, an experimental mill was completed in January and this was subsequently expanded into a temporary unit which is referred to as the "talus mill" by the

addition of more equipment. On the basis of the experience gained in this temporary and experimental plant, the permanent milling plant was designed and is now under construction. The original mill structure is being enlarged to provide housing for a mill circuit with a capacity of 500 tons per day. This construction was 60% completed at the year end and the additional equipment needed was on hand or on order.

A crushing plant with a rated capacity of 2,000 tons per day has been installed and housed adjoining the mill building.

A fireproof dryer building was completed and one rotary dryer with accessories has been installed. A second dryer, temporarily installed in the mill, will be transferred to the dryer building.

A dry rock storage building, having a capacity of 40,000 tons, was brought to 90% completion.

Conveyor galleries, connecting the crusher, dryer, and dry rock storage, in a two-way circuit, were well advanced to the point where a one-way circuit to the dry rock storage was put into operation on the second day after the fiscal year end.

(2) Services

A second diesel unit was added to the power plant early in 1953, and a third was delivered late this year. These three machines will provide a total of 950 H.P. A fourth 450 H.P. standby unit has been placed on order. A machine shop was constructed and equipped, and construction of a coal bunker was begun.

A sprinkler system to protect all vital plant and mill buildings was brought close to completion.

(3) Mine

A steel chute, 2,602.2 ft. in length, equipped with flight conveyors, was constructed from the top of the deposit to the truck loading bin. A combined workshop and man shelter was built adjacent to the deposit. Housing was provided for a portable compressor.

(4) Townsite

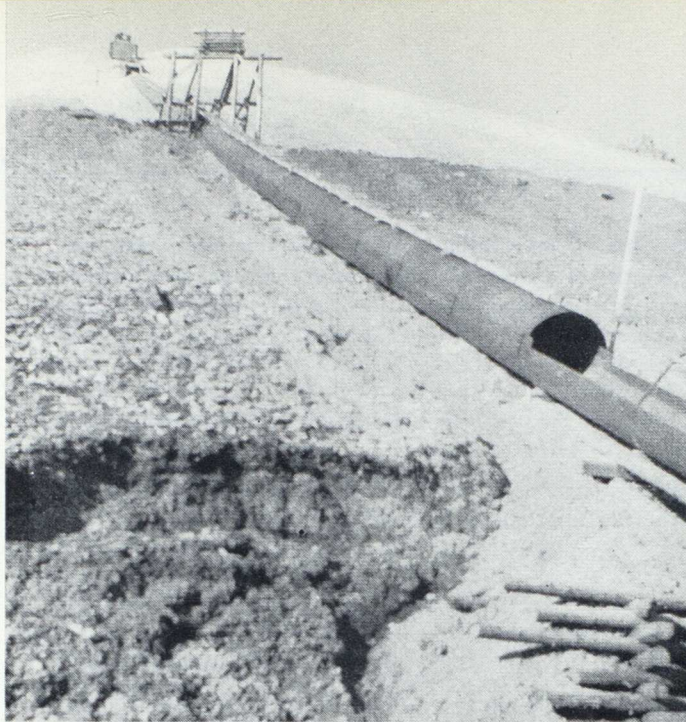
A permanent townsite area was established one half mile west of the plant. Nineteen buildings were completed including six bunkhouses, staff quarters, eight homes, a recreation hall, laundry, freezer and cooler and heating plant. All are centrally heated and provided with modern services.

Acknowledgment

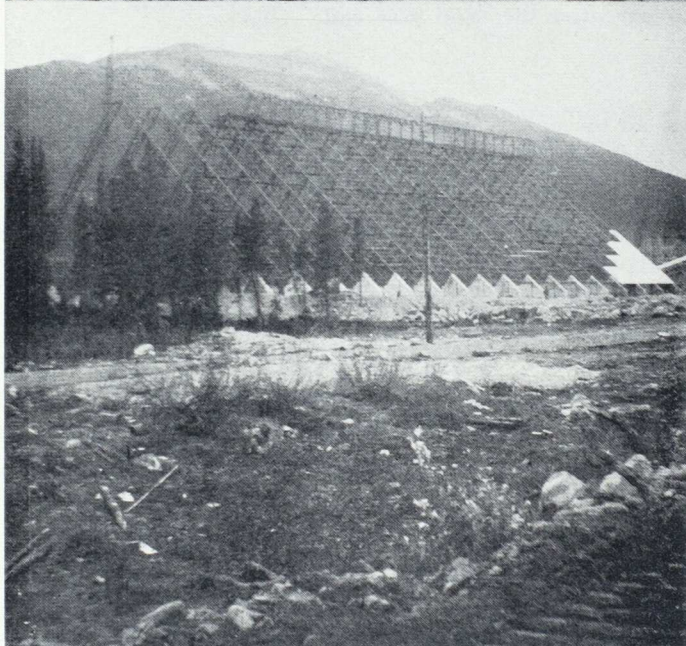
It is a pleasure to record my appreciation of the support of the President and Board of Directors and of the Corporations' Consulting Engineer. Grateful acknowledgment is made of the loyal and efficient services of staff and employees.

ROBERT DEVLIN,

Manager.



Upper portion of steel chute used to transfer ore from the mine to the truck loading bins.



Forty thousand ton capacity dry rock storage building illustrating type of construction.



Completed dry rock storage and dryer buildings.

First Annual Report

**CASSIAR ASBESTOS CORPORATION
LIMITED**



As at September 30, 1952

First Annual Report
of
Cassiar Asbestos Corporation Limited

As of 30th September, 1952

OFFICERS AND DIRECTORS

President & Director
F. M. CONNELL, O.B.E.
Toronto

Vice-President & Director
W. HAROLD CONNELL
Spencerville

Director
A. B. MORTIMER, Q.C.
Toronto

Director
K. A. CREERY
Montreal

Director
J. M. CONNELL
Toronto

Director
J. E. KENNEDY
Toronto

Secretary
ALAN COCKERAM
Toronto

Treasurer & Director
C. R. ELLIOTT, C.A.
Toronto

Consulting Engineer
J. D. CHRISTIAN, C.B.E., B.A.Sc.

Consulting Geologist
WM. V. SMITHERINGALE, B.Sc., Ph.D.

Mine Manager
T. T. TIGERT, B.A.Sc.

Bankers
THE ROYAL BANK OF CANADA

Transfer Agents and Registrars
CROWN TRUST COMPANY, TORONTO 1

Administrative Office
1001-85 Richmond Street West, Toronto 1

Mine Office
Cassiar, B.C., Canada

Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
Cassiar Asbestos Corporation Limited.

Your directors submit herewith the First Annual Report on the operations of your Company, including financial statements prepared as at September 30, 1952, and reported on by your auditors; a report by Mr. J. D. Christian, Consulting Engineer; a report by Mr. T. T. Tigert, Mine Manager; and a Geological Report on the adit developments by Dr. Wm. V. Smitheringale, Consulting Geologist.

Your company's initial programme was to construct a mill suitable for treating the asbestos talus material with a planned production of approximately 4,000 tons of spinning grade fibre per year. On this basis it was estimated that it would require at least four years to mill out the asbestos talus ore. A mill circuit was laid out designed for this purpose, but so constructed as to readily expand into a full scale rock mill when required. For this purpose a total of \$1,496,244.75 was provided through the issue of capital stock. This sum has now been expended in buildings, equipment, roads and mine development as will be noted from the balance sheet. In the meantime, tests which were being made on the fibre proved it to be an iron-free chrysotile asbestos with very good spinning qualities. It was then decided that the main orebody should be immediately investigated by driving an adit to intersect the ore zone at an average depth of 250 feet with a view to making early plans for a larger scale of operations. The results of this work are reported on by Dr. Smitheringale and are most satisfactory. In order to prepare for the larger programme pending financing arrangements outlined below, a credit was established with your bankers. By the year end your Company had drawn against this to the extent of \$251,739.25 and had made other commitments amounting to \$214,532.90.

In view of the substantial ore reserves estimated by Dr. Smitheringale, Mr. Christian has submitted a plan outlined in his report for placing the Company in production at a rate of 500 tons per day and he estimates the funds required to carry out this programme and meet the Company's current commitments will be \$4,500,000.00. Your directors have approved this proposal and are proceeding with the programme outlined by Mr. Christian with the objective of reaching substantial production by the summer of 1954. Initial production at the rate of 150 tons per day is expected by the first of July, 1953.

In order to finance this programme, your directors have enacted By-law No. 87 increasing the capital of the Company from 2,500,000 shares, without nominal or par value, to 4,000,000 shares without nominal or par value by the creation and addition of 1,500,000 shares without nominal or par value. Subject to ratification of this By-law your directors propose to issue 1,100,000 of these shares at a price of \$4.00 per share. Your directors propose to offer Rights to the shareholders to purchase 500,000 shares at the price of \$4.00 per share on the basis of one share for every five now held. Conwest Exploration Company Limited will undertake to subscribe for any shares of this offering not subscribed for by the shareholders at the same price. Arrangements have been made to sell 600,000 shares to Turner-Newall Limited and Raybestos Manhattan Inc. at \$4.00 per share.

By-law No. 88 increasing the number of directors from seven to nine has been enacted to create two vacancies on the present board in order to facilitate the election of a nominee of each of Turner-Newall Limited and Raybestos-Manhattan Inc. The association of Turner-Newall Limited and Raybestos-Manhattan Inc. makes available to the Company both the technical and marketing experience of these two important companies in the asbestos industry and is, in the opinion of your directors, a very important advantage in the development of your Company's mine and the processing and marketing of its production.

You will also be asked at the forthcoming Annual Meeting to ratify By-law No. 86, being a By-law changing the fiscal year end of the Company from the 31st of December to 30th of September. In the organization stages of this company the 31st of December had been selected as a suitable date for the fiscal year; however, experience has indicated that because of climatic conditions at the mine area a more suitable time for the determination of the annual accounts is the 30th of September and your directors have enacted By-law No. 86 accordingly. Your directors strongly recommend ratification of the three By-laws.

On behalf of the Board,

F. M. CONNELL,
President.

Toronto, Ontario,
December 19th, 1952.

Cassiar Asbestos Corporation Limited

Report of Consulting Engineer

Mr. F. M. Connell, President,
Cassiar Asbestos Corporation Limited,
1001 Federal Building,
Toronto 1, Ontario.

Dear Sir:

I submit herewith my report covering developments at the mine up to 1st December, 1952, with my recommendations for a future expanding production programme. Dr. Smitheringale, our consulting geologist, has submitted a report on the ore reserves and Mr. T. T. Tigert, our manager, has reported on the construction and development programme carried out during the year. These reports are attached.

HISTORY

The property was acquired by Conwest Exploration Company Limited in the fall of 1950. A rough road was available from the Alaska Highway to the Mocassin Mines (approximately 60 miles). We immediately started pushing this road on towards the mine and were able to complete about 10 miles before freeze-up stopped the first year's operations.

The Cassiar Asbestos Corporation Limited was formed on May 17, 1951, and took over the claims from Conwest. During the 1951 season, the road was completed from the Mocassin Mines to the deposit. Two large samples of the talus material were subjected to spinning tests. These established the value and quality of the fibre. Two diamond drill holes, one 160 feet vertical and one 300 feet horizontal, were completed. The core recovery was very poor and it was impossible to use them to establish grade. There was, however, ample evidence in the sludge that the underlying deposit carried a considerable amount of fibre. Winter camps were constructed and some basic equipment, such as the Diesel Plant, was placed on order.

In early January of 1952 active work was started on the planning and construction of a small mill and ancillary shops to handle the asbestos talus material. This mill was completed and turned over for the first time on November 29, 1952. The British Columbia Government provided funds for the improvement of our road and it is our understanding that this work will continue next year. Of major interest is the adit which was driven into the footwall of the deposit and which is described in detail in Dr. Smitheringale's report. The construction and mining programmes are detailed in Mr. Tigert's report.

LOCATION

The property now consists of 40 claims and is located in the McDame Lake area of the Mining District of Liard, in the northern part of the Province of British Columbia. The mine is approximately 86 miles by road southwest of Mile 648 (Watson Lake) on the Alaska Highway. From here the distance along the highway to our Utah Camp warehouse near Whitehorse is 265 miles. The Utah Camp has a siding and spur line from the White Pass and Yukon Railway, which runs between Whitehorse, Y.T., and Skagway, Alaska (approximately 100 miles). From Skagway transportation is by Canadian Pacific Steamships to Vancouver. An alternative route exists coming southeast from Watson Lake to railhead at Dawson Creek.

GEOLOGY AND DESCRIPTION

The rocks underlying the claims are mainly sedimentary consisting of lower argillites and shales overlain by limestone, which in turn is overlain by quartzite. Intruding the sediments along the valley floor is a porphyritic granite and a basic rock which has intruded into the limestone. This latter rock now altered to serpentine, contains many veins of cross-fibre chrysotile asbestos, and takes the form of a dike varying in width from 200 - 600 feet. It strikes in a northeast direction across the mountain top.

The main asbestos showing occurs at the top of a mountain ridge, at an elevation of approximately 6,000 feet. Fibre-bearing outcrops occur over a length of 3,000 feet. Overlying this dike, and on both sides of the hill, is a saddle-like mantle of asbestos talus. This asbestos talus is the result of frost action which has penetrated the asbestos seams and freed the fibre from the rock. It varies in depth from 1 - 10 feet and has spilled over on the sides of the hill to create an area approximately 1,000' x 1,000' on the West side and 2,000' x 200' on the East side, and is conservatively estimated to contain 280,000 tons. All the evidence available suggests that this material truly represents the underlying deposit both as to grade and quality. An adit has been driven into the footwall of the dike and to date has shown a width of 251 feet of continuous ore, with an average back above the adit of 250 feet.

GRADE AND QUALITY OF FIBRE

Three separate samples of the asbestos talus on the West slope have been taken during the past 18 months. These samples were milled out in Ottawa in the laboratory of the Industrial Minerals Division of the Department of Mines and Technical Surveys and were later subjected to full-scale spinning tests by the Raybestos-Manhattan Inc., United States Asbestos Division, in Manheim, Pa.

The results of the first two tests indicated that the fibre from the talus material, while of good quality, required a slightly different milling technique to retain its length. As a result Sample No. 3 was taken on a carefully laid out grid pattern. This sample weighed 17,597 lbs. dry weight. It was milled out in Ottawa and samples were submitted to three separate spinning companies in the United States. These three companies ran extensive spinning tests against standard Canadian fibre. In all instances they reported that the Cassiar product was the equal in recovery, strength and spinning quality to a Canadian 3R.

At the time these tests were run we were interested only in the spinning grades and in arriving at an average value for the asbestos talus material. This has now been established at 8% 3R or \$30.00 per ton. More recently we have become interested in high group 4 material and preliminary test work indicates that by reducing the spinning grade recovery to 7%, we can produce an additional 5% of 4K. This would raise the value of the talus in place to \$38.75 per ton. As can be seen from Dr. Smitheringale's report, the adit has returned a similar recovery of the same grade. In addition to the above grades, a limited tonnage of #1 and #2 crude can be hand-picked from the talus and rock. Some 40 tons were hand-picked in this manner during the past summer.

It is of considerable importance to note that Cassiar fibre is a non-ferrous variety which has not been found elsewhere on the North American continent except in small quantities in Arizona. South Africa has been the only major producer. Non-ferrous fibre is required for electrical insulation, such as cable covering on Naval vessels, and is regarded as a strategic mineral.

PRODUCTION PLANS

It was apparent from the beginning that there was sufficient asbestos talus material in evidence to provide a mill feed for three years at an average of 250 tons per day. It was considered that such a mill could be constructed at a reasonable cost and in reasonable time. Power consumption would be low as no crushing equipment was required. The three-year period would suffice to develop sufficient tonnage in the main body to warrant the further capital expenditures required to establish the plant for a long life operation. On the strength of these assumptions, work was put in hand. Mr. Tigert's report covers this phase of the operation.

During recent months the results obtained in the adit have thrown a different light on the picture. Dr. Smitheringale's figure of 5,892,000 tons of ore in sight is ample justification for a stepped-up production programme. The current world shortage of spinning and non-ferrous fibre practically assures the marketing of these greater tonnages. There are many advantages to establishing full-scale production at the beginning of an operation. One of the major factors is that we will be able to produce Group 4 material almost as a by-product, which will considerably enhance our earnings. The indications are also that the ore from the adit will produce an even more desirable fibre which will be easier to grade and with which we can produce a consistently high-quality product.

PRODUCTION PROGRAMME

1. Beginning July, 1953

The chute, which will bring the talus material from the top of the hill to a loading point at the base, will be in operation next spring. Mining will be confined to the four summer months. We expect that we will be able to move 54,000 tons off the mountain for an average daily mill feed of 150 tons per day. However, a favourable season could increase this figure to 80,000 tons or 225 tons per day of mill feed.

The talus mill will be completed and the additional equipment will be installed to handle 225 tons per shift. Our first year's production, therefore, should be on the following order:—

Crude #1 and #2	100 tons
Fibre 7% 3K Spinning	3,780 - 5,600 tons
Fibre 5% 4K	2,700 - 4,000 tons

2. Future Programme

As soon as the necessary engineering can be completed, work will commence in enlarging the mill and installing the necessary crushing equipment, power facilities, shops, houses and mining plant to handle 180,000 tons per year or 500 tons mill feed per day. All major items of plant and design will anticipate a production of double this figure. Production in this second stage would be on the order of:

Tons ore treated	180,000 tons
Crude	150 tons
Fibre 7%—3K Spinning	12,600 tons
Fibre 5%—4K	9,000 tons
Total Fibre	21,750 tons

FUNDS REQUIRED

Preliminary estimates indicate that cost of completing the 1953 programme will amount to \$1,500,000 and that a further \$3,171,250 will be required to complete Stage II. The funds available from production will provide the working capital.

SUMMARY AND CONCLUSIONS

1. There is ample evidence to justify Dr. Smitheringale's reserve of 5,892,000 tons. This, combined with the asbestos talus material of 280,000 tons, is sufficient to provide mill feed at 500 tons per day for 34 years.
2. The proposed increase in capacity from 150 tons per day to 500 tons per day is justified in light of our analysis of present markets.
3. Based on present market prices and estimated operating costs, the initial rate of production should result in an annual profit before taxes of approximately \$800,000, which should increase to approximately \$2,500,000 when production reaches 500 tons per day. The plant and equipment will be basically capable of handling double this tonnage which in time will result in a further decrease in operating costs and increase in ultimate profit.

Respectfully submitted,

J. D. CHRISTIAN,
Consulting Engineer.

Toronto, Ontario,
December 1, 1952.

Cassiar Asbestos

(Incorporated under

Balance Sheet as

ASSETS

Current:

Cash on hand	\$ 480.05
Accounts receivable	14,971.82
Inventory of supplies as determined and certified by the management and valued at laid-down cost at the mine	239,605.12
Prepaid insurance and other charges	14,844.41
	<u>\$ 269,901.40</u>

Fixed—at cost:

Mineral claims and properties—

Mineral claims acquired for the issue of 925,000 shares and the
payment of \$112,907

\$ 205,407.00

Payments made under option to purchase mineral claims

4,000.00

\$ 209,407.00

(Note—Additional payments aggregating \$16,000 payable at the
option of the company up to November 1, 1954, will be
required to exercise this option in full)

Roadways

109,000.37

Plant and equipment

1,124,882.82

1,443,290.19

Incorporation expenses

4,217.57

Preproduction expenditures on exploration and development of proper-
ties including administrative expenses

337,607.74

\$ 2,055,016.90

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited.

We have examined the balance sheet of Cassiar Asbestos Corporation Limited as at September 30, 1952, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Corporation Limited

Companies Act, Canada)

September 30, 1952

LIABILITIES

Current:

Bank overdraft	\$ 251,739.25
Accounts payable and accrued charges	214,532.90
	<u>\$ 466,272.15</u>

Capital:

Authorized—2,500,000 shares without nominal or par value

Issued —2,500,000 shares—

925,000 shares for mineral claims \$ 92,500.00

1,575,000 shares for cash (including 1,074,993 shares issued
during the period from July 11, 1951, to September
30, 1952, for \$1,356,237.75) 1,496,244.75

2,500,000 shares

1,588,744.75

On behalf of the Board:

F. M. CONNELL, Director.

C. R. ELLIOTT, Director.

\$ 2,055,016.90

In our opinion the accompanying balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at September 30, 1952, according to the best of our information and the explanations given to us and as shown by the books of the company.

CLARKSON, GORDON & CO.,

Chartered Accountants.

Toronto, Canada,
November 28, 1952.

Cassiar Asbestos Corporation Limited

Geological Report

Mr. F. M. Connell, President,
Cassiar Asbestos Corporation Limited,
1001 - 85 Richmond Street West,
Toronto 1, Ontario.

November 25th, 1952.

Dear Sir:

GENERAL: The principal recent development on the property is the cross-cut tunnel at Elev. 6028: This adit, started near the north centre boundary of the LAST MC., has been driven in a N. 54° E. direction for a total distance of 439 ft. The last 251 ft. of this working have exposed well shattered serpentine carrying a good grade of asbestos fibre, both as to quality and quantity. Muck samples, taken from every round, indicate an average grade of 7.6% 3K—(Screen analysis, screen #1—6.84 oz.; screen #2—4.75 oz.; screen #3—2.76 oz.; screen #4—1.45 oz., weighted average)—plus an appreciable amount of crude fibre. The detail of these samples is set out on the following page. This screen analysis was made with the limited facilities at the mine. It does not give any indication of the Nos. 4 and 5 grades of fibre present in the rock, as the equipment did not allow proper determination of these grades, which are still economic products for our operation. I believe the classification given by these tests is a conservative estimate of the value.

ADIT ASSAYS

Date	Round	From	To	%	Grade	Screen				%	
						1	2	3	4		
Oct.	1	12	188'	194'	5.0	3Z	8.3	3.1	2.6	2.0	
	4	13	194'	199'	5.5	3R	6.0	3.9	4.3	1.8	
	5	14	199'	204'	10.5	3K	8.3	3.1	2.6	2.0	
	6	15	204'	209'	6.2	3R	2.0	6.9	4.1	3.0	+ 1.6 Crude
	6	16	209'	213'	6.7	3K	6.5	4.5	3.2	1.8	
	8	17	213'	217'	9.4	3F	11.8	1.4	1.5	1.3	
	8	18	217'	221'	8.3	3K	9.2	2.7	2.3	1.8	
	9	19	221'	225'	10.0	3F	14.4	0.5	0.7	0.4	
	10	20	225'	228'	12.8	3K	11.5	1.9	1.7	1.0	+ 7.4 Crude
	11	21	228'	232'	8.3	3K	6.4	5.5	2.8	1.3	
	12	22	232'	236'	6.3	3F	10.6	3.0	1.8	0.6	
	12	23	236'	240'	7.5	3F	14.0	0.9	0.7	0.4	
	13	24	240'	244'	2.95	3T	1.5	7.3	4.9	2.3	
	14	25	244'	248'	9.1	3K	3.1	7.8	3.1	2.0	
	15	26	248'	252'	8.3	3F	13.8	0.6	0.9	0.7	
	16	27	252'	257'	10.5	3F	13.9	0.5	0.7	0.6	+ 1.1 Crude
	16	28	257'	261'	7.6	3K	3.5	8.5	2.5	1.5	
	17	29	261'	265'	8.1	3F	10.5	3.4	1.4	0.7	
	18	30	265'	269'	8.9	3K	6.8	5.7	0.5	1.0	
	18	31	269'	273'	11.7	3F	6.4	7.2	1.9	0.5	+ 1.4 Crude
	19	32	273'	277'	3.9	3K	7.0	5.3	2.2	1.5	
	20	33	277'	282'	5.7	3F	7.2	6.4	1.8	0.6	
	21	34	282'	286'	7.7	3R	1.4	9.0	3.8	1.8	
	21	35	286'	292'	8.6	3F	9.5	3.9	1.8	0.8	
	22	36	292'	298'	5.0	3K	3.5	9.1	2.2	1.2	+ 2.2 Crude

Date	Round	From	To	%	Grade	Screen				%
						1	2	3	4	
Oct. 24	37	298'	304'	3.7	3K	5.1	7.5	2.3	1.1	
25	38	304'	310'	12.1	3K	5.5	6.5	2.2	1.8	
26	39	310'	317'	4.3	3R	1.6	9.3	3.7	1.4	
27	40	317'	324'	4.0	3T	0.7	9.0	4.4	1.9	
28	41	324'	331'	4.9	3R	2.8	8.7	3.0	1.5	
29	42	331'	338'	2.0	3T	1.0	7.0	4.4	3.6	
30	43	338'	344'	3.4	3Z	0.3	5.8	6.2	3.7	
31	44	344'	347'	4.1	3Z	0.1	7.3	5.6	3.0	
Nov. 1	45	347'	351'	4.8	3Z	0.2	7.5	5.1	3.2	
2	46	351'	358'	3.9	3Z	0.6	7.8	4.7	2.9	
3	47	358'	365'	3.8	3Z	0.4	8.2	4.4	3.0	
4	48	365'	372'	12.6	3R	3.0	7.2	4.2	1.6	
5	49	372'	379'	9.6	3F	13.8	0.8	0.9	0.5	+ 0.23% Crude
6	50	379'	386'	12.8	3K	7.8	3.6	3.0	1.6	
7	51	386'	393'	9.3	3K	4.0	6.5	4.0	1.7	+ 0.24% Crude
8	52	393'	400'	9.2	3K	6.0	5.0	3.3	1.4	+ 0.2 % Crude
9	53	400'	406'	8.7	3K	8.0	4.5	2.5	1.0	+ 1.0 % Crude
10	54	406'	412'	9.6	3R	4.5	6.4	3.2	1.9	
11	55	412'	419'	11.4	3K	6.7	5.1	2.8	1.4	+ 0.5 % Crude
12	56	419'	425'	6.3	3R	4.1	6.5	4.2	1.2	
13	57	425'	432'	11.8	3K	10.9	1.6	2.5	1.0	+ 0.4 % Crude
14	58	432'	439'	10.4	3R	5.9	4.9	3.8	1.4	+ 0.2 % Crude

ADIT COMPOSITE ASSAY

From	To	Dist.	%	Grade	Screen				
					1	2	3	4	
188'	317'	129'	7.5	3F	7.85	4.36	2.15	1.3	+ Some Crude
317'	365'	48'	3.7	3Z	0.92	7.84	4.52	2.67	
365'	439'	74'	10.2	3K	6.91	4.6	3.14	1.35	+ Some Crude
188'	439'	251'	7.6	3K	6.84	4.75	2.76	1.45	+ Some Crude

DETAIL OF TUNNEL:

The portal of the tunnel is collared in footwall sediments at elev. 6028 ft.; direction N.53° 54'E.; total length 439 ft.; timbered throughout.

The first 137 ft. of tunnel, crosscut tightly folded and contorted thin bedded argillites with some thin bedded impure limestone. The attitude of these footwall sediments was not determined in detail, but generally they strike slightly west of north (N.15° - 20°W.) and dip from a few degrees East to 70°E.

The contact between these sediments and the serpentine is a faulted contact, as exposed in the tunnel. This contact strikes generally N. 345° or N. 15° W. and dips 47° N.E. This attitude correlates with the contact as mapped on the surface. I believe the evidence in the tunnel favours a thrust fault on this contact.

From 137 ft. - 172 ft. the tunnel exposes a dark sheared serpentine with a few narrow veinlets of asbestos. At 172 ft. there is a marked shear zone striking N. 50° W. dip 70°E. This zone extends to roughly 185 ft. and contains some chrysotile fibre. From 188 ft. to the face at 439 ft. (251 ft.) the serpentine is light to medium green in colour, is well fractured and contains numerous veinlets of chrysotile asbestos. The fibre content varies within limits, both as to quantity and length of fibre, but on the whole the fibre is uniform, and of good grade, as set out in the above tabulation of muck sampling.

The two main directions of fracturing in the ore section are:

- N. 15° - 20° W. dip 45° - 60° E. (i.e. paralleling the serpentine contact).
- N. 50° - 60° W. dip 65° E. to Vert.

Assuming the hanging wall has a strike approximately the same as the footwall, then the trend of the contact down the north face of the cirque, indicates the hanging wall is dipping around 65° N.E. With this assumption, there are still some 321 ft. between the present face of the tunnel and the hanging wall of the serpentine. Surface exposures support this assumption, and it is possible the major portion of this distance will expose fibre bearing serpentine of similar grade to that already exposed in the crosscut.

To date the muck samples have graded themselves into three zones or groups; this division is evident by visual examination along the walls of the crosscut. The first zone extends from 188 ft. to 317 ft. (129 ft.). This zone may be considered relatively high grade with an indicated average of 7.5%—3F fibre plus some crude. The next 48 ft. (317 ft. - 365 ft.) is relatively low grade, both as to length and quantity of fibre. The samples from this section averaged 3.7%—3Z. This so called low grade zone is followed by a second zone of relatively higher grade material—365 ft. to face 439 ft. (74 ft.), which averages 10.2%—3K plus some crude. The overall average from 188 ft. to the face—251 ft.—is 7.6%—3K plus some crude. This indicates a value of at least \$30.00 per ton of rock, assuming \$400.00 as the price of 3K fibre, with no credits for either the crude ore that can be hand picked, or the 4 and 5 grades, which were not determined.

From the exposures in the tunnel, the true width of the serpentine zone at the tunnel location is indicated as 500 ft. The indicated true width across a section by drill hole #1—350 ft. south of the tunnel—is around 430 ft. Contact zones of dark serpentine, low in asbestos fibre, are indicated, and may be of varying widths up to at least 50 ft. in the main ore bearing portion of the deposit.

TONNAGE ESTIMATES:

The tonnage estimate is made by assuming three blocks of ground only:

- (1) **Block A**—The main block is a volume of material 700 ft. north-south, by 300 ft. east-west and 300 ft. in depth. The surface area 700 x 300 ft. lies along the surface of the hill on its western slope; the block dips into the hill at 56° N.E. The net tonnage allowed in this Block is 4,667,000 tons.
- (2) **Block B**—Lying immediately north of the above block and adjoining it, there is a volume of rock made up of a rectangle 220 ft. x 300 ft. plus a triangle 110 ft. x 220 ft., which can be considered a minimum of 100 ft. thick, containing an estimated 625,000 tons.
- (3) **Block C**—Along the hanging wall of Block A there is indicated on the surface, an additional 100 ft. of fibre bearing serpentine. To account for this material a volume of rock is assumed having a width of 100 ft. on the surface, wedging to nothing at the bottom of the main block, and extending for 500 ft. along the hanging wall. Tonnage in Block C is estimated at 600,000 tons.

The above three blocks, A, B, and C, are considered to be reasonably well assured. They cannot be considered proven ore in the strict sense, but by surface outcrops, two drill holes, and the 300 adit, I believe the above tonnage, i.e. (4,667,000 - 625,000 - 600,000) or 5,892,000 tons can be accepted with reasonable assurance. The crosscut is presently indicating a value of approx. \$30.00 per ton (7.5% of 3K at \$400.00 per ton).

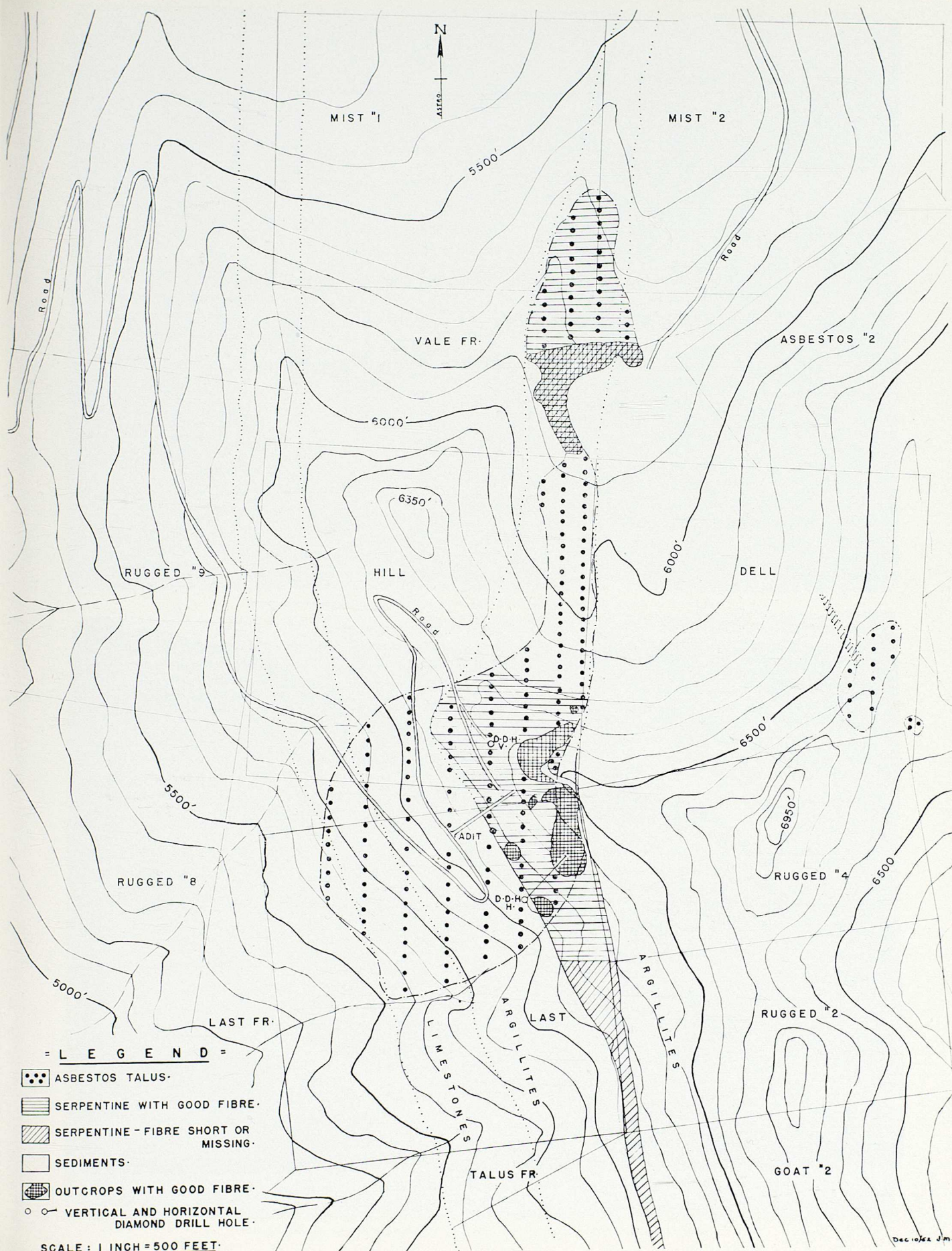
In addition to the above proven tonnage, there is a further length of 2,000 ft. of serpentine lying to the north of the developed block, which is covered with asbestos talus and throughout which asbestos bearing outcrops have been mapped. There is no reason to believe that this area will not respond to development in similar manner. It can be readily seen that the presently developed length of 700 ft. may well form only a portion of the entire orebody. Depth development below the adit level will likewise rapidly increase the total reserve figure.

SUMMARY:

In summary, I would estimate there are 5,892,000 tons of reasonably assured fibre bearing serpentine grading \$30.00 per ton in spinning grade fibre in addition to which there will be a recovery of hand picked crude fibres and an amount of Group 4 and 5 fibre which has not yet been determined.

Respectfully submitted,

"WM. V. SMITHERINGALE", B.Sc., Ph.D., P.Eng.



The following photographs taken at the company's mine, located in the McDame Lake area of the mining district of Liard in northern British Columbia, illustrate the nature of the asbestos deposit.



Looking east from valley floor showing asbestos talus in dotted area. Road can be seen crossing area.



Road cut through asbestos talus near top of showing, western slope of mountain.

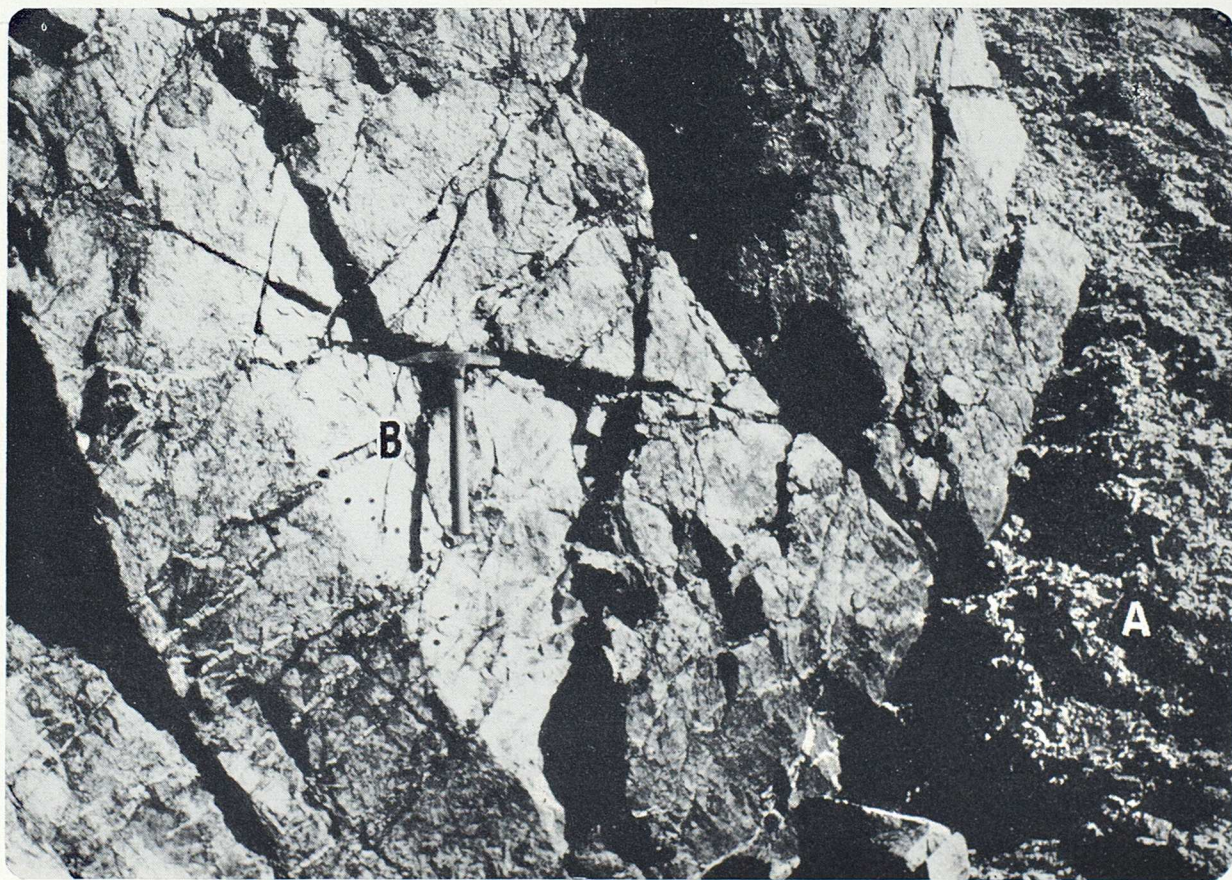


North wall of adit approximately 225 feet from portal showing asbestos veinlets.



Detail view of asbestos talus.

A—Asbestos fibre partially opened by frost action.
B—Serpentine rock originally containing the asbestos fibre.



Outcrop of fibre-bearing serpentine about centre of deposit and vertically over adit on western slope.

A—indicates asbestos talus.
B—indicates asbestos veinlets.

Cassiar Asbestos Corporation Limited

Report of Manager

Mr. F. M. Connell, President,
Cassiar Asbestos Corporation Limited,
1001 Federal Building,
Toronto 1, Ontario.

Dear Sir:

I submit herewith my report of operations to September 30th, 1952.

The preliminary work was confined to construction of roads, building camps and sampling of the talus ore overlying the deposit. Large samples were taken for testing purposes. On the results obtained, plans were made in January, 1952, to construct a mill to treat approximately 250 tons per day of talus ore. The general design of the mill and equipment was planned to permit expansion to a capacity of approximately 1,000 tons per day of mine ore. The plans for this initial unit were completed in April and the unit was under construction at the company's fiscal year end.

A power house has been constructed at the mill site and one 400 h.p. diesel electric power unit has been installed. Provision has been made to permit the installation of two additional units of similar size, one of which is on order and expected to be delivered early in 1953. An electrical substation equipped to distribute the power output of these units has been constructed, and transmission lines to the mill and camp site built.

MINE DEVELOPMENT

A steel chute was under construction to transport the ore from the talus deposit to a loading point near the valley floor. Additional equipment was being installed in conjunction with the chute which will be in operation in the spring of 1953.

A mining plant, including a 500 c.f.m. diesel-driven portable compressor and equipment, was installed at the mine site. Seven heavy-duty ore trucks, four tractors and a rocker shovel, together with suitable equipment, have been purchased to mine and transport the talus ore.

A crosscut adit designed to explore the serpentine formation was commenced and at the fiscal year end had been driven 188 feet, at which point asbestos ore was intersected. Dr. Smitheringale, Consulting Geologist, has reported on the results of this development.

Approximately 5,800 tons of talus ore and 190 tons of hand-picked ore for the production of crude fibre have been trucked to the mill and will be processed when the mill has been completed.

TRANSPORTATION

Your company has constructed a road from the mill site to the mine including branch roads into the cirque area and to the loading area at the bottom of the chute. With the assistance of the British Columbia Government, approximately 20 miles of road were constructed from the mill site to the Mocassin Mine road which connects with the Alaska Highway near Watson Lake, Y.T. During the summer of 1952, the B.C. Government made major improvements on the road to the highway and it is expected that this programme will be continued next year.

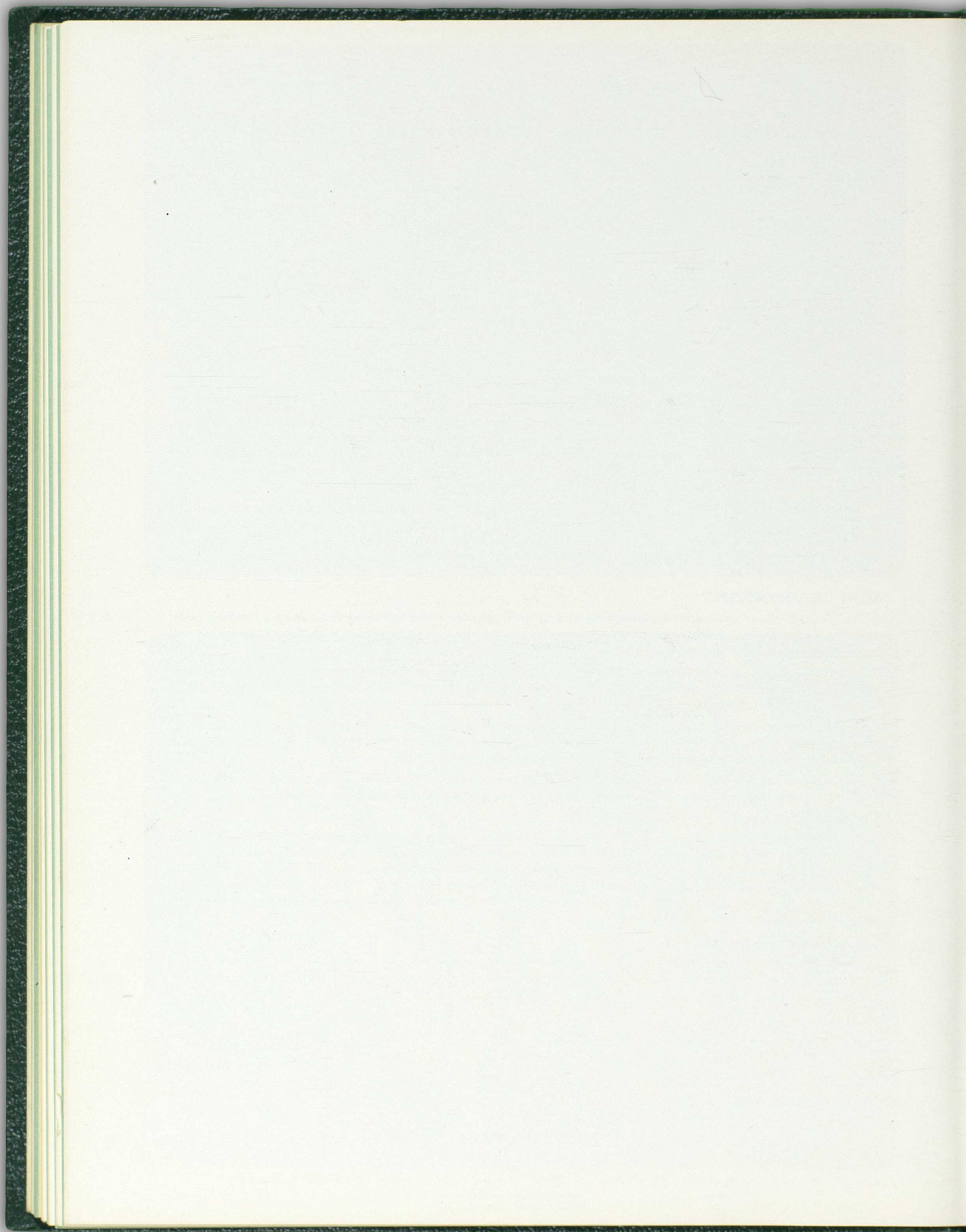
ACKNOWLEDGMENTS

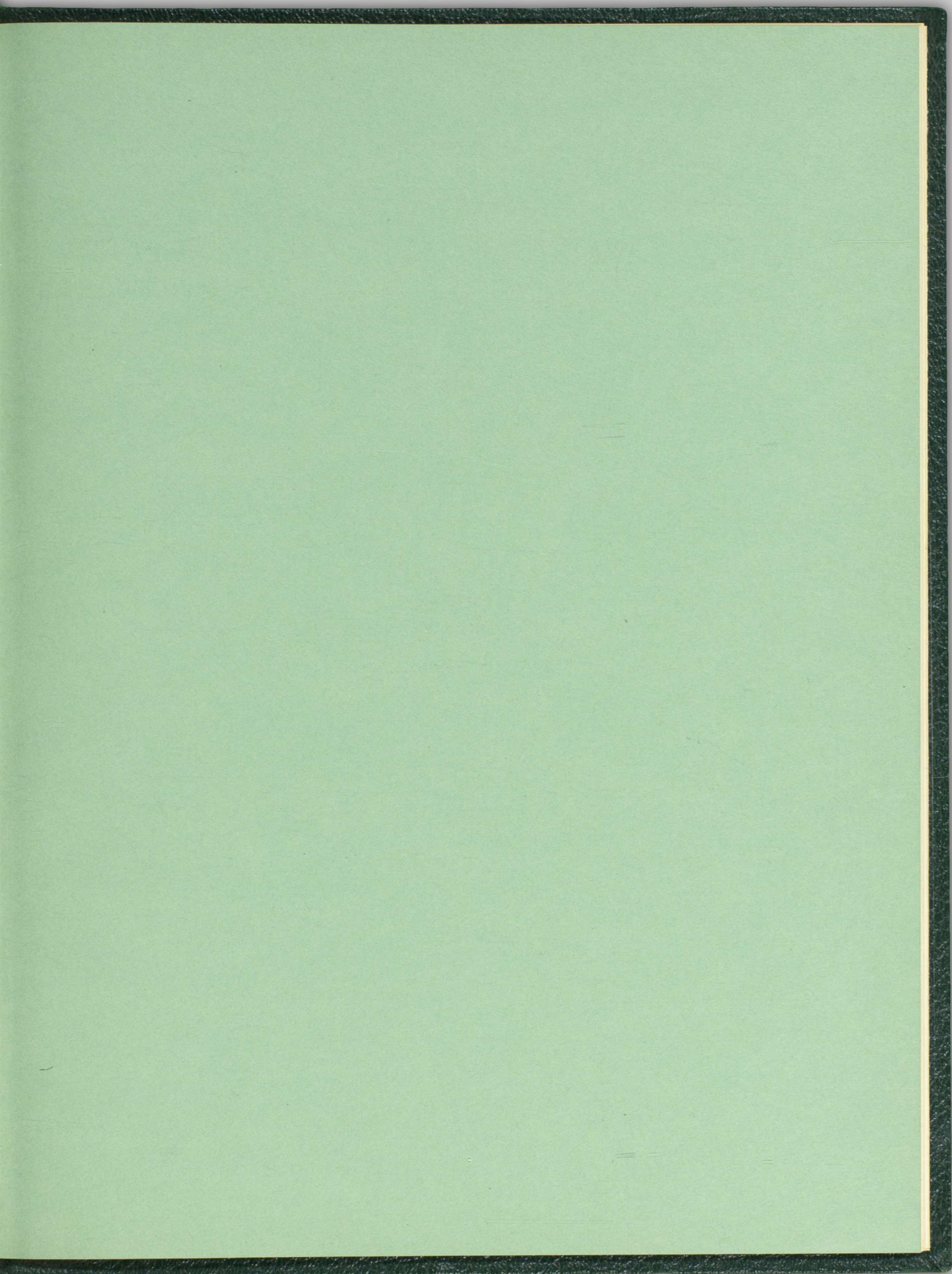
I express my appreciation to Mr. Craigie Hood, Assistant Manager, and Mr. J. T. Ward, Office Manager, and their respective staffs, for the efficient and loyal service rendered during the period.

Respectfully submitted,

T. T. TIGERT,
Manager.

Watson Lake, Yukon Territory,
December 19th, 1952.





CASSIAR ASBESTOS CORPORATION LIMITED

Prospectus

A copy of this Prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of The Companies Act

The company has been incorporated, under The Companies Act of Canada, by letters patent dated May 17th, 1951, with an authorized capital of 2,500,000 shares without nominal or par value.

The company has taken from Conwest Exploration Company Limited an assignment of a contract for the purchase of a group of seven mineral claims in the McDame Lake area of Northern British Columbia. It has also taken an assignment from the same company of two options to purchase seven other mineral claims in the same area, and it has purchased from Conwest Exploration Company Limited a further eleven mineral claims in that area.

Those properties are about 70 air miles south-west of Watson Lake Airport. A secondary road leaves the Alaskan Highway at mile 648 and has been extended to the showings via McDame Creek and Troutline Creek, a distance of roughly 100 miles from the highway. From mile 648 on the highway to the White Pass and Yukon Railway, at Whitehorse, Yukon Territory, is 270 miles.

The company's mining engineer, Dr. William V. Smitheringale, reports that he considers the properties to be an outstanding discovery of asbestos, containing a high percentage of spinning and higher quality fibre, and it is the intention of the board of directors of the company to put the properties into production as soon as may be.

Any desired information as to the company and its assets may be obtained, during business hours, at the head office of the company, Suite 1001, Federal Building, 85 Richmond Street West, Toronto 1, Ontario, Canada.

STATUTORY INFORMATION

1. The company was incorporated, under The Companies Act of Canada, by letters patent dated May 17th, 1951. Its head office is in Suite 1001, Federal Building, 85 Richmond Street West, Toronto 1, Ontario, Canada.
2. The directors of the company are:—
FREDERICK MARTIN CONNELL, 53 Russell Hill Road, Toronto 5, Mining Engineer.
WILLIAM HAROLD CONNELL, 34 Parkwood Avenue, Toronto 12, Mining Executive.
CHARLES RAINFORTH ELLIOTT, 95 Hudson Drive, Toronto 5, Chartered Accountant.
JOHN DE NAVARRE KENNEDY, 10 Montclair Avenue, Toronto 12, One of His Majesty's Counsel.
ARTHUR BERESFORD MORTIMER, 19 Parkwood Avenue, Toronto 12, One of His Majesty's Counsel.
GEORGE ALBERT ARMSTRONG, 19 Parkwood Avenue, Toronto 12, Solicitor.
CHARLES STEWART MACIVOR MORTIMER, 19 Parkwood Avenue, Toronto 12, Solicitor.

The executive officers of the company are:—

President.....	FREDERICK M. CONNELL
Vice-President.....	W. HAROLD CONNELL
Secretary.....	CHARLES R. ELLIOTT
Treasurer.....	CHARLES R. ELLIOTT

The auditors of the company are:—

Clarkson, Gordon & Co., Chartered Accountants, 15 Wellington Street West, Toronto 1.

The registrar and transfer agent of the company is:—

Crown Trust Company, 302 Bay Street, Toronto 1.

3. The general nature of the business to be transacted by the company is that of a mining company.

4. The authorized capital of the company consists of 2,500,000 common shares without nominal or par value, of which 1,425,007 have been issued and are fully paid and non-assessable. The authorized capital of Conwest consists of 3,000,000 common shares without nominal or par value, of which 2,500,000 have been issued as fully paid and non-assessable.
5. By a "Contract for Purchase of Mineral Claims and Contract and Options for Purchase of Shares", dated, for convenience, June 25th, 1951, hereinafter referred to as "THE MAIN CONTRACT" and entered into between Conwest Exploration Company Limited, a company incorporated under The Companies Act of Canada, having its head office at the Village of Spencerville, in the County of Grenville and Province of Ontario, and its executive offices in Suite 1001, Federal Building, 85 Richmond Street West, Toronto 1, and herein referred to as "CONWEST", of the first part, and the company, of the second part, Conwest sold to the company and the company purchased the undermentioned assets, which are hereinafter collectively referred to as "THE UNDERTAKING", namely:—

(i) A contract between Victor A. Sittler, of Lower Post, British Columbia, Prospector, and Conwest, dated October 11th, 1950, as amended by a supplemental agreement dated June 7th, 1951; to which contract as so amended reference is hereinafter made as "THE SITTLER CONTRACT". The associates of Victor A. Sittler, all of whom have executed the two documents which constitute the Sittler contract, are Ronald Louis Kirk, of Fort Nelson, B.C., Mechanic; Hiram H. Nelson, of Fort Nelson, B.C., Welder, and Robert W. Kirk, of Lower Post, B.C., Trapper. Under the provisions of the Sittler contract, Conwest agreed to purchase seven mineral claims in the Stikine Mining Division of the Province of British Columbia, recorded in the Office of the Mining Recorder at Victoria as Rugged No. 1 to Rugged No. 7, inclusive, in consideration of the sum of \$103,500.00 of lawful money of Canada, of which \$3,500.00 has been paid by Conwest and the balance of \$100,000.00 is to be paid by the company on or before August 31st, 1951, and in consideration of the allotment and issue by the company to Victor A. Sittler and his said three associates, in equal shares, of 300,000 fully paid shares in the authorized capital of the company.

(ii) An option, dated October, 1950, from John Bartle, of Lower Post, B.C., Prospector, to Conwest, hereinafter referred to as "THE BARTLE OPTION", to purchase five mineral claims in the Stikine Mining Division, recorded in the Office of the said Mining Recorder as Asbestos No. 1 to Asbestos No. 4, inclusive, and Axe, for the sum of \$20,000.00, whereof \$1,000.00 has been paid by Conwest and the balance of \$19,000.00 will be payable by the company, at its option, in an instalment of \$3,000.00 on or before November 1st, 1951, an instalment of \$5,000.00 on or before November 1st, 1952, an instalment of \$5,000.00 on or before November 1st, 1953, and the balance of \$6,000.00 on or before November 1st, 1954.

(iii) An option dated, for convenience, April 10th, 1951, and hereinafter referred to as "THE WILLIAMS OPTION", from Cymryd Pritchard Williams, of 5926 Trafalgar Street, Vancouver, B.C., to Conwest, to purchase two mineral claims in the Stikine Mining Division, recorded in the Office of the said Mining Recorder as Lookout No. 1 and Lookout No. 2, for the sum of \$1,000.00, of which \$100.00 has been paid by Conwest and the balance of \$900.00 will be payable by the company, at its option, on or before October 1st, 1951.

(iv) Eleven mineral claims in the Stikine Mining Division which were owned by Conwest, which have been sold by it to the company and which are recorded in the Office of the said Mining Recorder as Rugged No. 8 to Rugged No. 14, inclusive, Rugged Fr. and Joe No. 1 to Joe No. 4, inclusive.

(v) Equipment, supplies, buildings and road construction, upon which Conwest has expended upwards of \$74,000.00.

6. The considerations paid or otherwise satisfied by the company for the conveyance to it of the undertaking, no part of which is allocated to goodwill, are as follows:—

TO VICTOR A. SITTLER AND HIS SAID ASSOCIATES

(a) The sum of \$100,000.00 of lawful money of Canada.

(b) 300,000 shares in the authorized capital of the company, at the issue value of 10¢ per share and as fully paid and non-assessable; being part of the vendors' shares.

TO CONWEST

(c) The sum of \$62,507.00, whereof \$7.00 has been retained by the company and applied in satisfaction of the issue price of the seven shares in its authorized capital for one of which each of the applicants for its incorporation subscribed, and whereof the balance of \$62,500.00 has been

satisfied by the allotment and issue by the company of 625,000 shares in its authorized capital, at the issue value of 10¢ per share and as fully paid and non-assessable; being the residue of the vendors' shares.

(d) The offering by the company to the shareholders of Conwest of the right to purchase one share in the authorized capital of the company, at the price of \$1.00 and as fully paid and non-assessable, for each five shares in Conwest held by its shareholders at the close of business on July 16th, 1951; shareholders of Conwest whose holdings are not divisible by five to be entitled to purchase such number of shares of the company as shall be determined by dividing their holdings by that figure and ignoring any remaining shares; shareholders of Conwest whose holdings are less than five shares to have no subscription privilege, and such subscription privileges to be exercisable up to, but not after, 4 o'clock in the afternoon, Toronto daylight saving time, on August 15th, 1951. In the event and to the extent that the shareholders of Conwest shall fail to exercise their said subscription privileges, the company will, on or before September 15th, 1951, sell to Frederick M. Connell and W. Harold Connell, or either of them or the nominee or nominees of them or of either of them, at the price of \$1.00 per share and as fully paid and non-assessable, all or any part or parts of the shares in the authorized capital of the company so to be offered by it to the shareholders of Conwest which such shareholders shall fail duly to take up and pay for and which Frederick M. Connell and W. Harold Connell, or either of them, shall elect to take up and pay for.

(e) The payment by the company to Conwest of the sum of \$55,000.00 of lawful money of Canada.

(f) The payment by the company of the costs of and incidental to its incorporation and organization and the acquisition by it of the undertaking.

(g) The sale by the company to Conwest of 500,000 fully paid and non-assessable shares in the authorized capital of the company for the sum of \$140,000.000 of lawful money of Canada, being at the issue price of 28¢ per share. In satisfaction of the purchase price of those shares, Conwest has paid to the company the sum of \$100,000.00 (which the company will pay to Victor A. Sittler and his said associates) and has reduced by the balance of \$40,000.00 the amount of \$55,000.00 which, as above-mentioned, the company has contracted to pay to Conwest.

(h) The granting by the company to Conwest of sole and exclusive options, which are herein referred to as "THE SHARE OPTIONS", to purchase a total of a further 574,993 of the unissued shares in the authorized capital of the company, as fully paid and non-assessable, at the prices and in the quantities hereunder mentioned:—

(i) The whole or any part or parts of 200,000 shares at the price of \$1.25 per share.

(ii) The whole or any part or parts of 200,000 shares at the price of \$1.50 per share.

(iii) The whole or any part or parts of 174,993 shares at the price of \$1.75 per share.

Each of the share options shall be exercisable on or before such date or dates, being not later than June 30th, 1954, as shall, from time to time, be fixed by the board of directors of the company. Upon the fixing by the board of directors of the company of each date on or before which any portion or portions of any one or more of the share options shall be exercisable, the company shall give to Conwest not less than thirty (30) days' prior notice of such date. Without the consent of Conwest, the board of directors of the company shall not fix a date on or before which the whole or any part or parts of the share options other than the first of them shall be exercisable unless and until each preceding share option, in the order in which they are above set out, shall have been fully exercised or shall have lapsed.

7. The mineral claims mentioned in the report of William V. Smitheringale, dated July 3rd, 1951, which accompanies this prospectus are Rugged Nos. 1 to 14, inclusive, and Rugged Fr. The remaining mineral claims comprised in the undertaking are at present regarded as being of subsidiary interest.
8. The signatories hereto undertake to file an amendment to this prospectus in the event of any default in the exercise of the share options if the shares of the company are then in course of primary distribution.
9. The company is about to offer to the shareholders of Conwest the above-mentioned subscription privileges entitling such shareholders to purchase 500,000 shares in the authorized capital of the company at the price of \$1.00 per share, payable in full on application, and that is the only offering to the public to which this prospectus relates. The money which the company will receive from the said offer of

subscription privileges, and the money which the company will receive if, when and to the extent that the share options are exercised, will be used for the undermentioned purposes:—

(i) The payment of the preliminary administrative expenses of the company, including the costs of and incidental to its incorporation and organization and to the acquisition by it of the undertaking, which expenses are estimated not to exceed \$5,000.00, of which no part has, as yet, been paid by it.

(ii) The development of the mineral claims comprised in the undertaking, including the purchase of machinery, equipment and supplies.

(iii) For the general purposes of the company.

It is not, at this stage, possible to determine the approximate amounts to be devoted to the purposes to which clauses (ii) and (iii) above relate.

10. With the exceptions of the share options and of the right of Frederick M. Connell and W. Harold Connell to take up and pay for any of the company's shares to be offered by it to the shareholders of Conwest which such shareholders shall fail duly to take up and pay for, no option agreement is outstanding or is proposed to be given; there is no underwriting agreement outstanding or proposed to be given; there is no sub-option agreement outstanding or proposed to be given, and there is no assignment or proposed assignment of the share options or of the said right, either in whole or in part. The share options are held by Conwest for itself, and not on behalf of anyone else. The only persons having more than a 5% interest in Conwest are:—

Frederick Martin Connell, 85 Richmond Street West, Toronto, Ont.

William Harold Connell, 85 Richmond Street West, Toronto, Ont.

Montreal Trust Company, 15 King Street West, Toronto, Ont.

Roytor & Co. #10 Acc't., Royal Bank of Canada, Bay & Temperance Streets, Toronto, Ont.

11. The net proceeds derived by the company from the sale by it to Conwest of 500,000 of its shares; the net proceeds to be derived by the company from the said offering of subscription privileges to the shareholders of Conwest, and the net proceeds to be derived by the company if, when and to the extent that the share options are exercised, will be the full issue prices of such shares. No commission has heretofore been paid by the company upon or with respect to sales of its treasury shares, nor will any commission be paid upon or with respect to sales made under the said offering of subscription privileges and under the share options.
12. The company has not borrowed any money; it has not purchased any property other than the undertaking, the considerations for the purchase of which are hereinbefore fully set out, and it does not now propose to purchase any property other than such machinery, equipment and supplies as, from time to time, the company shall find it necessary or desirable to purchase in relation to the development of the mineral claims comprised in the undertaking. In the opinion of the board of directors of the company, no minimum amount must be raised by the issue of shares offered to the public for subscription in order to provide money for the foregoing matters.
13. No director or officer of the company has received, or will receive during the current financial year, any remuneration paid or to be paid by the company. No services have been rendered, or are proposed to be rendered, to the company which have been or are to be paid for by the company, either by the issue of its shares or otherwise; save and except only the costs of its solicitors, the salary of the mining engineer who is in charge of the development work upon and in relation to its mineral claims and the wages of its employees engaged in that work.
14. The company has been incorporated upon the instructions of, and at the instance of, Conwest. Save only with respect to the purchase by the company of the undertaking for the considerations hereinbefore mentioned, the company has not made any payment to any promoter and does not intend to make any such payment.
15. None of the directors of the company has or has had any interest in the promotion of the company or in any property acquired or proposed to be acquired by the company. Frederick M. Connell, W. Harold Connell, Charles R. Elliott and Arthur B. Mortimer are directors and shareholders of Conwest. Nothing has been paid, or has been agreed to be paid, to any director of the company, in money, shares or otherwise, by any person, to induce him to become a director, or otherwise for services rendered by him in connection with the promotion or formation of the company. Each of the directors has, however, been provided, free of expense to him, with one share in the authorized capital of the company in order to qualify him as a director.

16. No part of the considerations received for the issue of shares in the authorized capital of the company has been set aside as distributable surplus, pursuant to sub-section 7 of section 12 of The Companies Act. The company has not created any bonds or debentures and it is not proposed that any be created.
17. The only material contract which has been entered into by the company is the main contract, which may be inspected, at any time during business hours, at the head office of the company.
18. By-law No. 8 of the company, which has been duly enacted and ratified, provides that the directors shall have the right, by a majority vote, to fix their remuneration, either as directors or as officers of the company, and the salaries or remuneration to be paid to all salaried officers of the company, and to vary the same when it may be expedient to do so, and that no further by-law or confirmation by the shareholders, other than the confirmation of said By-law No. 8, shall be necessary to provide for such remuneration. Also that the directors may, by resolution, award special remuneration to any director undertaking any special services on behalf of the company, other than the routine work ordinarily required of a director by the company, and that the confirmation of any such resolution or resolutions by the shareholders shall not be required.
19. The business of the company has been carried on since June 12th, 1951.
20. Conwest, by reason of beneficial ownership of shares in the authorized capital of the company, is in a position to elect or cause to be elected a majority of the directors of the company.
21. The vendors' shares aggregate 925,000 and 832,500 of them are held in escrow by Crown Trust Company, 302 Bay Street, Toronto 1, until released by the Ontario Securities Commission; transfer, hypothecation, assignment or other alienation within the said escrow to be subject to the consent of the said Commission. The escrowed vendors' shares shall be released from escrow in blocks of not less than 10,000 shares each and, as they are released, they shall be distributed pro rata amongst the holders of the escrowed vendors' shares at the time of each such release.
22. All the mineral claims comprised in the undertaking (and notwithstanding that the claims comprised in the Bartle option and the Williams option will not become the property of the company unless and until those options are exercised) now stand recorded in the name of Conwest, which will transfer them to the company as soon as it is registered under The Companies Act of British Columbia and acquires a free miner's certificate in that province.
23. No underground exploration or development in the said mineral claims has yet been done, and there is no underground plant or equipment. Surface exploration so far done consists of sampling and geological work, and no surface development has yet been done. A contract has been entered into for 6,000 feet of diamond drilling. The surface plant and equipment so far obtained comprises part of the undertaking and consists of equipment, supplies, buildings and road construction, all of which are in good and serviceable condition. The relevant mineral claims were first staked in and since the month of July, 1950, and the properties have no known history. The company has not yet done any work or made any improvements upon or in relation to the relevant mineral claims.
24. (a) Frederick Martin Connell has practised in Canada as a mining engineer for upwards of 40 years. He is a director or a director and officer of many companies, including Conwest Exploration Company Limited, Noranda Mines Limited, United Keno Hill Mines Limited and Crown Trust Company.
(b) William Harold Connell has operated in Canada as a prospector and mining executive for upwards of 35 years. He is a director or a director and officer of many companies, including Conwest Exploration Company Limited and United Keno Hill Mines Limited.
(c) Charles Rainforth Elliott has been a chartered accountant since the year 1934. He is the treasurer of many companies, including Conwest Exploration Company Limited and United Keno Hill Mines Limited.
(d) Arthur Beresford Mortimer has practised in Toronto as a barrister-at-law and solicitor for upwards of 30 years.
(e) John de Navarre Kennedy has practised in Toronto as a barrister-at-law and solicitor for upwards of 25 years.
(f) George Albert Armstrong is a barrister-at-law and solicitor. During the past three years, he has been a student-at-law in the Law Society of Upper Canada.
(g) Charles Stewart MacIvor Mortimer is a barrister-at-law and solicitor. During the past three years, he has been a student-at-law in the Law Society of Upper Canada.

25. The company has never paid a dividend.
26. As is hereinbefore disclosed, the company has, to date, issued as fully paid and non-assessable 1,425,007 shares, of which 925,000 are vendors' shares and have been issued as part of the considerations for the purchase of the undertaking; seven shares have been issued at the price of \$1.00 each and 500,000 shares have been issued for \$140,000.00. There is no arrangement known to the signatories hereto regarding the sale or disposition of the vendors' shares.

CERTIFICATION

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of shares referred to above, as required by Section 38 of The Securities Act of the Province of Ontario, and there is no further material information applicable other than in the financial statement and the mining engineer's report.

PROMOTER

CONWEST EXPLORATION COMPANY LIMITED

F. M. CONNELL
President

C. R. ELLIOTT
Treasurer

DIRECTORS

F. M. CONNELL

W. HAROLD CONNELL

C. R. ELLIOTT

J. DE N. KENNEDY

A. B. MORTIMER

G. A. ARMSTRONG, JR.

CHARLES S. MORTIMER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of shares referred to above, as required by Section 38 of The Securities Act of the Province of Ontario, and there is no further material information applicable other than in the financial statement and the mining engineer's report. With respect to matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

OPTIONEES

CONWEST EXPLORATION COMPANY LIMITED

F. M. CONNELL
President

C. R. ELLIOTT
Treasurer

F. M. CONNELL

W. HAROLD CONNELL

DATED at Toronto, Ontario, this 11th day of July, 1951.

**A REPORT ON THE RUGGED GROUP OF MINERAL CLAIMS
(McDAME MOUNTAIN, BRITISH COLUMBIA)**

By Wm. V. Smitheringale

PROPERTY AND ACCESS:

The property, consisting of 14 claims and one fractional claim (Rugged No. 1 to 14 inclusive and the Rugged Fraction) is located on the headwaters of Troutline Creek and the Blue River, in the McDame Lake area of northern British Columbia. This is about 70 air miles southwest of Watson Lake airport. The showings are approximately 5,800 to 6,000 feet above sea level.

A secondary road leaves the Alaskan Highway at mile 648, and has been extended to the showings via McDame Creek and Troutline Creek, a distance of roughly 100 miles from the highway. From mile 648 on the highway to the White Pass and Yukon Railroad at Whitehorse, Yukon Territory, is 270 miles.

GEOLOGY AND DESCRIPTION OF SHOWINGS:

The rocks underlying the claims are mainly sedimentary, consisting of lower argillites and shales overlain by limestone, which in turn is overlain with quartzite. Intruding the sediments along the valley floor is a porphyritic granite and a basic rock has been intruded into the limestone. This latter rock, now altered to serpentine, contains many veinlets of cross fibre chrysotile.

The main asbestos showings occur on the Rugged Nos. 3, 4, 5 and 6 claims, and form a talus slope of irregular outline of at least 1,000 feet square. The talus slope consists of fragments of serpentine (some pieces containing narrow veinlets of chrysotile) in a matrix of partly fluffed asbestos fibre. From a visual examination the amount of asbestos fibre appears to vary from 10% to 30% or more of the talus material. The thickness of the talus varies from roughly one foot along the upper contact of the serpentine to several feet further down the hillside.

Protruding through the talus are several outcrops of serpentine containing veinlets of chrysotile. The percentage of asbestos in some of these outcrops has been estimated at from 5% to 10%. The length of fibre varies from $\frac{1}{8}$ " to $1\frac{1}{2}$ " with lengths of $\frac{1}{2}$ " and $\frac{3}{4}$ " being common.

This talus material has been derived from a body of serpentine rock underlying the upper part of the talus slope. The amount of asbestos fibre in the talus indicates a relatively high percentage of fibre in the underlying serpentine.

I consider this to be an outstanding discovery of asbestos containing a high percentage of spinning and higher quality fibre and I recommend a program of development work to determine the extent and commercial possibilities of the deposit.

WM. V. SMITHERINGALE.

CERTIFICATE

I, William V. Smitheringale, of 901 Royal Bank Building, Vancouver, British Columbia, hereby certify as follows:—

1. I am a qualified Mining Engineer and Geologist, having graduated from the University of British Columbia in 1924 with the degree of B.Sc. in Mining Engineering and the Massachusetts Institute of Technology in 1928 with the degree of Ph.D. in Geology. I have practiced my profession in Canada since 1928 with the exception of 1940-1944 when in the R.C.A.F. I am registered as a Professional Engineer of British Columbia.

2. I have personally examined the claims and showings as described above. I first examined them in September, 1950; I have since been responsible for the exploration and development work upon the claims, and I have been on and in the vicinity of them during the months of May and June, 1951.

3. I have not and never have had, either directly or indirectly, any interest in the property, but I may be given the opportunity to purchase a small number of shares in the company at some future date at a price yet to be determined.

4. Conwest Exploration Company Limited has expended money upon and in relation to the said claims, which expenditures are of a nature which will be of lasting benefit to the continuing operation of the said claims and have, in my opinion, increased the value thereof by a sum not less than \$55,000.00.

DATED this 3rd day of July, 1951.

WM. V. SMITHERINGALE.

CASSIAR ASBESTOS CORPORATION LIMITED

(Incorporated under The Companies Act, Canada)

INTERIM BALANCE SHEET

AS AT JULY 11, 1951

ASSETS

Mining properties and options to purchase mineral claims for which 925,000 shares of capital stock were issued at 10¢ per share	\$ 92,500.00	
and amount paid in cash	100,007.00	\$192,507.00
Buildings and equipment at cost		28,417.75
Road construction		24,931.14
Preproduction development		28,142.14
Incorporation expense		3,000.00
		<u>\$276,998.03</u>

LIABILITIES

Accounts payable and accrued charges:		
Conwest Exploration Company Limited	\$ 37,491.03	
Other	7,000.00	\$ 44,491.03
Capital Stock:		
Authorized—		
2,500,000 shares without nominal or par value		
Issued—		
925,000 shares for mining properties and mineral claims	\$ 92,500.00	
500,007 shares for cash	140,007.00	232,507.00
<u>1,425,007</u>		<u>\$276,998.03</u>

NOTES:

- Subscription privileges are to be issued to shareholders of Conwest Exploration Company Limited as of July 16, 1951, to purchase 500,000 shares of the capital stock at \$1.00 per share; such privileges expire as at August 15, 1951.
- Options on capital stock outstanding, exercisable from time to time as fixed by the Board of Directors but not later than June 30, 1954—

200,000 shares at \$1.25 per share
200,000 shares at \$1.50 per share
174,993 shares at \$1.75 per share
<u>574,993 shares</u>
- Additional payments aggregating \$19,900, payable at the option of the company up to November 1, 1954, will be required to exercise in full the options to purchase mineral claims.

On behalf of the Board:

C. R. ELLIOTT, Director.
A. B. MORTIMER, Director.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accounts of Cassiar Asbestos Corporation Limited for the period from May 17, 1951 (date of incorporation) to July 11, 1951, and have obtained all the information and explanations we required.

We report that, in our opinion, the above balance sheet has been drawn up so as to exhibit a true and correct view of the state of the company's affairs at July 11, 1951, according to the best of our information and the explanations given us and as shown by the books of the company.

Toronto, Canada,
July 12, 1951.

CLARKSON, GORDON & CO.,
Chartered Accountants.

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THE SUPREME LINE



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